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Poverty and Policy Coherence:

CANADA'S DEVELOPMENT COOPERATION IN BANGLADESH

Fahimul Quadir

with

M. Mahbubur Rahman Morshed

November 2001

Second in a series of four

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List of Acronyms

ADAB	Association for Development Agencies in Bangladesh
ADB	Asian Development Bank
AKFC	Aga Khan Foundation Canada
ATC	Agreement on Textiles and Clothing
BRAC	Bangladesh Rural Advancement Committee
CEA	Canadian Executing Agencies
CIDA	Canadian International Development Agency
CPF	Country Programming Framework
CPM	Capability Poverty Measure
CSO	Civil Society Organization
CTPL	Centre for Trade Policy and Law
CPD	Centre for Policy Dialogue
DFAIT	Department of Foreign Affairs and International Trade
ERD	Economic Relations Division
FY	Fiscal year
GDP	Gross Domestic Product
GPT	General Preferential Tariff
IDRC	International Development Research Centre
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
LCG	Local Consultation Group
LMC	Like-Minded Countries
LMG	Like-Minded Group
LCG	Local Consultation Group
MFA	Multi-fibre Arrangement
MWCA	Ministry of Women's and Children's Affairs
NGO	Non-governmental Organization
NSI	The North-South Institute
ODA	Official Development Assistance
PLAGE	Policy Leadership and Advocacy for Gender Equality
SWAp	Sector-wide Approach
UNDP	United Nations Development Programme
UNFPA	UN Population Fund
USAID	US Agency for International Development
WTO	World Trade Organization

Foreword

This report is the second in a series of three country case studies that were undertaken as part of The North-South Institute's project on Poverty and Policy Coherence. The first study on Mali was released in November 2000 and a third study on Jamaica should be released shortly, along with a final synthesis report.

The issue of policy coherence has become part of the international dialogue about development cooperation in recent years. Donors now realize that the effectiveness of their aid efforts can be seriously undermined by policies in other areas such as trade, finance and immigration. Conversely, trade and other policies that take into account developing countries' needs are essential to complement efforts being made by aid agencies and their partners in developing countries.

The aim of the three case studies is to provide country-specific illustrations of how Canadian aid and non-aid policies towards developing countries interact in practice. They also consider how Canadian policies interact with the poverty reduction policies of both the recipient government and other development actors operating in that country.

We expect the findings will contribute to the ongoing discussion about Canada's relations with developing countries. The Canadian International Development Agency's (CIDA) latest document on *Strengthening Aid Effectiveness* (June 2001) outlines a number of ways to achieve greater policy coherence, many of which resonate with our own proposals. For instance, CIDA suggests (p. 41) "Canada should review the impact of its policies on developing countries and assess opportunities to improve their overall development coherence."

In this spirit, our study argues that CIDA should work with the Department of Foreign Affairs and International Trade to ensure that Canada's positions in the new round of global trade negotiations address the development objectives of countries like Bangladesh. In fact, CIDA has already begun to enhance its knowledge of trade and other policy areas, which should allow it to participate more effectively in interdepartmental discussions of Canadian policies that affect developing countries.

CIDA is also considering changes in its own policies and procedures that should lead to greater policy coherence. One proposal is to strengthen CIDA's field presence, which in turn would allow the

delegation of more decisions to the field. This would also allow the design of Canadian country programming to be informed more from the field and to promote coherence between Canadian aid and the programming of recipients and other donors. Such an approach would begin to respond to the criticism, in this report, of CIDA's centralizing tendencies in spite of its support in principle of participation and local ownership.

I would like to take this opportunity to thank CIDA and the International Development Research Centre for funding this study, as well as our research partners for their dedication to this project, and the many people who shared their views with us in the course of our investigations in Bangladesh, Jamaica, Mali and Canada.

Ann Weston
Vice-President and Research Coordinator
The North-South Institute

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Executive Summary

This study of the coherence of Canadian policies toward Bangladesh is one of three country case studies undertaken as part of The North-South Institute's project on Poverty and Policy Coherence, the others being Mali and Jamaica. It draws on an extensive series of interviews conducted in Bangladesh in May 1999 as well as interviews in Canada throughout 1999 and a review of documents collected in both countries. The results of earlier drafts were shared with selected interviewees for validation in early 2000.

As a country with persistent problems of extreme poverty, Bangladesh has been a major Canadian aid recipient for several years. Recently, the policy framework for the Canadian International Development Agency's (CIDA) programming in Bangladesh has focused on two priority areas—basic human needs and good governance. Besides the more traditional emphasis on capacity-building among NGOs and the private sector, governance has been defined by CIDA to include economic management and increased accountability and efficiency of government institutions.

A key thread running throughout this report is the extent to which the emphasis on reform of economic policies, to liberalize Bangladesh's markets *inter alia*, will assist in poverty reduction. One concern raised is that the pursuit of a neo-liberal agenda, in an attempt to help Bangladesh maximize economic growth, may detract from, if not actually undermine, other efforts to reduce poverty. It may also exacerbate the already widening inequalities, particularly between the rural and urban areas.

Certainly for the Government of Bangladesh, accelerated economic growth is a key objective for the Fifth Five-Year Plan (1997-2002), in a bid to reduce rural poverty through increased farm and non-farm production and employment, along with more equitable distribution of opportunities and a range of social development and other goals. The government has adopted a two-prong strategy emphasizing the development of human resources (e.g., through education) and economic opportunities for the poor (e.g., through food production).

CIDA programs have targeted the reduction of poverty, especially among poor women (e.g., through road maintenance and micro-credit). Key areas of development activity include food production, primary health care and family planning, literacy and primary education, income-generating activities, water management, agriculture and the environment and infrastructure services. These initiatives have involved collaboration with Bangladesh government-sponsored programs as well as actively sponsoring a few major NGOs, and a large number of smaller NGOs through the local Canada Fund.

For its part, the Department of Foreign Affairs and International Trade (DFAIT) has clear interests in Bangladesh's economic reforms, although it does not have a defined strategy for Bangladesh. Its focus has been somewhat narrow, promoting particular Canadian exports and investments. To the extent that DFAIT is interested in CIDA's aid programming, it has been through the implications for more immediate Canadian commercial interests. There is little indication that DFAIT believes a stronger poverty reduction strategy would lead to a more promising market for the Canadian private sector in the medium- to long-term.

The report argues strongly in favour of greater collaboration between CIDA and DFAIT, while recognizing that there are certain risks, namely further imbuing CIDA programming with Canadian commercial interests. According to the authors, there is scope for CIDA to ensure that market reforms in Bangladesh—and expansion of Canadian business activity there—are pro-poor. It is suggested that CIDA work with DFAIT, and other development partners, to design an integrated country strategy. This would address ways of ensuring that DFAIT complements CIDA's work on governance and poverty reduction. For instance, DFAIT could play an active role in promoting trade policies in Canada and other members of the World Trade Organization (WTO), which are more sensitive to the development needs of Bangladesh (and other least-developed countries). Certainly, a prime example of policy incoherence is Canada's continued resistance to remove all tariffs on imports from Bangladesh (and other least-developed countries) and the slow pace of liberalization of its clothing market for these countries.

With respect to the relations between CIDA headquarters and the field office in Dhaka, the report notes strong centralizing tendencies, despite CIDA's support for participation and local ownership. This was underlined by the way in which the Country Programming Framework (CPF) was designed in 1997. Such an approach makes it difficult to promote coherence between CIDA's policies and those of the Bangladesh government and its local development partners.

On collaboration between CIDA and other actors in the development of Bangladesh, the report finds that there is regular consultation in Ottawa on policies and programming with NGOs and executing agencies. But it does not appear that these go beyond an exchange of information to accepting inputs on policy design.

Despite aid cuts, which have reduced Canada to the rank of eleventh among donors to Bangladesh, Canada plays an active role in the donor coordination mechanisms in the country, notably through its leadership of two sub-groups on micro-finance and NGOs, within the World Bank-led Local Consultation Group. Canada is also actively involved in the Like-Minded Group.

Canada's relations with the Government of Bangladesh are good, with most aid being coordinated through the Economic Relations Division of the Ministry of Finance. Yet the research found that there was scope for improvement, particularly with respect to creating more space for Bangladeshi officials to play a role in project design as well as management.

With respect to Bangladeshi NGOs, the report raises questions about CIDA's policies toward smaller NGOs, noting its continued concentration on a few larger and well-established NGOs. On the issue of policy coherence, it notes a lack of consultation with even these larger NGOs in the design of the country programming framework, in contrast to the practices of other donors, such as the UK Department for International Development, which meet with different local socio-political groups prior to the formulation of their country strategy for Bangladesh.

To strive for greater coherence, with a view to having a greater impact on Bangladesh's poverty reduction efforts, the report makes the following recommendations:

1. That Canada consider the adoption of an integrated Canadian approach to Bangladesh by combining CIDA's CPF and DFAIT's policies and programs toward Bangladesh. It would be particularly useful for DFAIT to take a special interest in complementing the goals of Canadian development cooperation in Bangladesh, which remains the critical focal point of Canada's relationship with Bangladesh. Such an integrated approach to Bangladesh's poverty reduction and development should be underpinned by the development of an institutional mechanism for enhanced collaboration between the activities of DFAIT and CIDA.
2. That CIDA and DFAIT should jointly establish consultative bodies and/or advisory committees both in Ottawa and in Dhaka to increase consultation and collaboration with NGOs, civil society groups, and businesses. These consultative bodies would meet several times a year, as needed:
 - to share and disseminate information
 - to produce analyses of major economic, social and political trends in Bangladesh and South Asia
 - to promote coordinated action between the relevant Canadian government departments and non-governmental organizations
 - to identify and assess inconsistencies between their programs, policies and preferences
 - to put forward recommendations in order to achieve greater policy coherence.
3. That CIDA consider allowing its field officials increased autonomy (and decision-making authority) to design and implement programs to meet Bangladesh's crucial development challenges and to respond effectively and quickly to local needs and priorities. In addition, all consultants working on CIDA projects should be made accountable to the Dhaka office, which would monitor their work, based on the guidelines set by headquarters.
4. That CIDA increase its efforts to appreciate the diversity of the NGO community, which has experienced phenomenal growth in Bangladesh in the last two decades, as this has broader significance for CIDA's development initiatives. In particular, CIDA needs to distinguish between intermediary NGOs that serve the interests of the government and/or a particular political party and those which strive to advance the genuine cause of development.
5. That CIDA make a special effort to enhance the involvement of its local partners, including the Government of Bangladesh and indigenous NGOs, in designing and implementing development programs. Such an initiative may enable its non-Canadian development partners to play a more active role in realizing the vision of sustainable human development.
6. That DFAIT consider the adoption of a well-defined, mutually beneficial trade and investment policy for Bangladesh, with inputs from both CIDA and other actors in Bangladesh. Such a policy not only would enable Canadian companies to take advantage of Bangladesh's increasingly liberalized trade and investment regimes, but also it would help Bangladeshi business actors to find a more secure place in the Canadian market. The expansion of Canada's business ties with Bangladesh will require, among other things, strengthening the capacity of Canada's trade office in Dhaka.

1

Introduction

Objectives of the study

This country case study examines the nature of Canada's aid and non-aid relationships with Bangladesh. As part of the larger project on policy coherence sponsored by The North-South Institute (NSI), it analyzes the complex process of both formulating and implementing policies and programs, involving various Canadian organizations—governmental and non-governmental, that directly or indirectly affect the poverty situation in Bangladesh. In Bangladesh incidences of both “moderate” and “extreme” poverty remain very high despite the efforts of various international bodies to help the poor escape the poverty trap.

The study aims to provide an empirical base to analyze how Canadian aid and non-aid policies and programs are both formulated and implemented in Bangladesh. It examines in brief the ways in which Canadian policies and programs are affecting Bangladesh's poverty situation. In so doing, it looks at the compatibility of Canadian development and foreign policy objectives toward Bangladesh. The focus is on the following key questions:

- How consistent are Canadian foreign policy objectives with the goals of Canadian development cooperation in Bangladesh? In other words, to what extent do Canada's broad foreign policy goals complement its development objectives in Bangladesh?
- How are Canadian policies linked to the broader framework for international development cooperation? More specifically, to what extent are Canadian policies intended to facilitate development cooperation among the donor community?
- To what extent do Canadian aid and non-aid policies assist Bangladeshi organizations in achieving the goals of poverty reduction?

In brief, the study seeks to improve coherence of Canada's aid and non-aid policies toward Bangladesh.

Methodology

Data and relevant materials were collected for this study through a survey of documents, field visits and individual interviews. A great deal of information and empirical evidence were obtained from published/unpublished records, books, periodicals and documents of both government and non-gov-

ernmental agencies, largely by using various libraries in Ottawa and Dhaka. Moreover, “informal” interviews were conducted with a variety of individuals to collect reliable and factual information pertinent to this study. The respondents included officials from the Canadian International Development Agency (CIDA) and the Department of Foreign Affairs and International Trade (DFAIT), both at the headquarters and the field level, executives from Canadian and Bangladeshi NGOs, relevant business representatives, Bangladeshi government officials and representatives of key donor agencies, including the World Bank, the United Nations Development Programme (UNDP), and the US Agency for International Development (USAID) (see Table 1). Relying upon “unstructured open questionnaires”, we introduced topics of relevance so that the respondents could voice freely their own “informed” views, comments and concerns.¹ The findings of this report draw upon the opinions, experiences, assessments and judgments of the respondents, as shared with us during informal interviews in both Ottawa and Dhaka.

Table 1: Distribution of respondents by organizational affiliation

Organizational affiliation of respondents	No. of representatives interviewed
• CIDA	11 ^a
• DFAIT	5 ^a
• Canadian CSOs ^b	3
• Canadian entrepreneurs	3
• Donor representatives in Bangladesh	7
• Government of Bangladesh	12
• Bangladeshi CSOs ^a	11
• Bangladeshi entrepreneurs	6
Total	58

^a These numbers do not include the individuals that we met as a group.

^b Refers to civil society organizations, mainly development NGOs.

Limitations of the study

This report is based on the findings of the research conducted between April and June 1999. It is expected that the findings of this study will enable various Canadian organizations, both governmental and non-governmental, to develop and/or strengthen mechanisms for ensuring greater coherence, and thus to enhance their impact on poverty reduction in Bangladesh. However, the study does not elaborate the details of a broader coherence framework that might be used to ensure more effective collaboration between CIDA and DFAIT, as this would require further research on the subject. Nor does it make any effort to “evaluate” the overall impact of the programs and policies of CIDA and DFAIT on Bangladesh’s poverty conditions. In other words, this study is not an assessment of how Canadian aid and non-aid policies affect the welfare of different groups and households in Bangladesh.²

Structure of the report

This report is comprised of six major sections. Section 1 addresses some methodological and conceptual issues, such as the objectives of this study, research methodology and the definition of “policy coherence”. The second section provides a brief account of Bangladesh’s socio-economic realities. It begins by outlining some of the major macroeconomic issues of the country. It then looks briefly at Bangladesh’s current political trends. The section also provides a summarized version of development goals and priorities, as outlined by the Government of Bangladesh.

Section 3 summarizes the history of Canadian development assistance to Bangladesh, starting from 1971. The fourth section analyzes various types of coherence based on the findings of our field work. Section 5 presents a few concluding remarks and the final section provides some policy recommendations for enhancing coherence between various relevant organizations.

Conceptualizing policy coherence

The concept of “policy coherence” and/or “coordination” has been a subject of growing debate among the donor community, development activists and social scientists. However, like many other concepts in the social sciences, such a term and/or notion is used for a variety of different, often contradictory, meanings. The dominant view focuses on the importance of minimizing inconsistencies in policies adopted by different donor organizations and/or countries so that developing countries can be integrated into global mainstream socio-economic activities.³ In contrast, more critical authors suggest that improving coherence is essential to both the reduction of poverty and the advancement of development at the grassroots in the 21st century.⁴

Important to mention is that, although “policy coherence” is not a new concept, making reference to this term has become a recent fashion among development practitioners and academics. The interest of both scholars and policy-makers in promoting “coherence” stems largely from three somewhat interrelated factors. First of all, the emerging need to reduce and/or minimize conflicts between aid and non-aid policies has encouraged policy-makers, academics and activists to develop frameworks designed to ensure greater coherence between aid and non-aid policies, mainly trade and investment policies.⁵ Given the ongoing processes of internationalization and transnationalization of production and finance, most donors have begun to use aid to foster trade and productive investment opportunities in various parts of the world. Although such a shift in aid policies has enabled market forces, both national and transnational, to organize production beyond national territories, this trend has caused major concerns about the future of poverty reduction efforts. Some analysts have begun to argue that donors’ growing interest in promoting trade and investment actually has impeded the process of improving the human condition, which still remains the main objective of development assistance. Donors, therefore, are urged to focus on the issue of policy coherence in order to minimize inconsistencies between their aid and non-aid policies.

Secondly, the triumph of neo-liberalism in the contemporary global political economy not only calls for the adoption of new definitions of both development and poverty, but also outlines the importance of giving more attention to long-term developmental goals, such as higher economic growth, investment and human development, rather than making short-term advancements in poverty reduction. At the heart of this emerging development discourse is the belief that the success of poverty reduction efforts will depend largely upon the ability of developing countries to ensure higher economic growth. Without further growth, according to an annual report published by the UNDP, short-term progress in poverty reduction and/or human development will not be sustainable.⁶ What developing countries must do therefore, the report suggests, is to adopt policies that will allow them to achieve rapid economic growth, enabling them to reduce significantly the sufferings of the poor. Instead of looking for a “band-aid” solution, these countries are expected to make efforts to create what the World Bank calls “an enabling environment for growth” largely through the use of official development assistance.⁷

Such initiatives are believed to eventually expand productive employment opportunities for marginalized groups, namely the rural poor, women and peasants, hence helping poverty-ridden countries to achieve the goals of social development. However, most analysts claim that these growth-oriented development programs and policies can reduce human deprivation only if supported by a coherent framework as there is no guarantee that the benefits of growth will automatically trickle down to the poorest of the poor. In other words, without putting an institutional mechanism for promoting coherence in place, developing countries may not be able to succeed in minimizing conflicts between economic growth and development.

Thirdly, increasing pressures from civil society groups, including advocacy NGOs working at different levels, also create the need for donors to promote coherence between development and non-development objectives of their policies and programs for the developing world.

It is often argued that NGOs and civil society groups seek greater policy coherence primarily because they strive to enhance the effectiveness of aid in achieving major developmental goals, namely the reduction of poverty and the empowerment of the poor.⁸ Their interest in coherence lies in the rationale that a commitment to greater policy coherence minimizes the negative effects of aid and non-aid policies on the lives of the poor. Besides, coherence is a major concern for civil society groups simply because it may widen the opportunity for them to be engaged more effectively in policy dialogues with donors. They hope that, by preventing or minimizing policy incoherence, donors, governments of the developing world and civil society organizations can actually launch a successful assault on global poverty.

Since a review of these debates is beyond the scope of this project, the study subscribes to the definition of “coherence” by the European Union as “a process of reducing contradictions and/or inconsistencies between various aspects of policies adopted by a variety of relevant government and non-government organizations”⁹. This study takes the issue of coherence beyond the public domain, suggesting that pro-poor policies are often made through the reconciliation of differing objectives of different government and non-government organizations. As well, it cautiously suggests that greater policy coherence is a difficult, if not impossible, task to accomplish largely because such a process of eliminating

inconsistencies requires the involvement of groups and organizations in decision-making, any of which may hold conflicting views, ideas, and visions on both poverty and development.

For the purpose of this project, the study will examine the following six major aspects of policy coherence within the context of Canada's relationships with Bangladesh:

- Coherence between Canadian government organizations, particularly between CIDA and DFAIT
- Coherence between Canadian government and non-state organizations, including NGOs and businesses
- Coherence within CIDA, particularly between the CIDA headquarters and the field office
- Coherence between Canada and major donor organizations/countries
- Coherence between Canadian and Bangladeshi government organizations
- Coherence between Canadian government and Bangladeshi non-governmental organizations, particularly NGOs.

2

Bangladesh: Development realities in the 1990s

Macroeconomic context

Recent data suggests that Bangladesh has made some moderate progress in establishing a more stable macroeconomic framework over the past few years. It has been able to contain both inflationary and balance-of-payments pressures through the implementation of a World Bank-sponsored structural adjustment program. The overall fiscal deficit has fallen sharply, as seen in Table 2, from 9.9 per cent in fiscal year (FY) 1980 to 5.3 per cent of Gross Domestic Product (GDP) in FY1999. Similarly, as shown in Table 3, the inflation rate dropped from 18.9 per cent in FY 1980 to just 9.6 per cent in FY1999. Thus, while much of the developing world struggled to attain the goals of the international financial institutions' stabilization programs, Bangladesh registered some tangible success in improving its macroeconomic balance, which is seen as crucial to the country's search for higher economic growth and human development.¹⁰

As shown in Table 2, the decline in the fiscal deficit reflects an increase in government revenues, from 8.8 per cent of GDP in FY1985 to 11.9 per cent in FY1999. Also, there has been some progress in such areas as current expenditures, investment and domestic savings. For instance, domestic savings increased from 2.3 per cent of GDP in FY1985 to 8.5 per cent in FY1999 (Table 3).

Table 2: Revenues and deficits (per cent of GDP)

FY80	FY85	FY90	FY95	FY98	FY99			
Total revenue	n/a		8.8	9.3	12.1	12.2	11.9	
Tax revenue	7.3		6.9	7.8	9.6	9.9	9.5	
Fiscal deficit	-9.9		-7.4	-7.9	-6.8	-5.2	-5.3	

Source: Bangladesh Bureau of Statistics and *Bangladesh Economic Survey: 1999*.

Table 3: Inflation, investment, domestic savings and exchange notes

	FY80	FY85	FY90	FY95	FY99
Rate of inflation (% change in CPI)	18.85	11.20	9.33	4.07	9.61
Investment (% GDP)	15.29	12.94	12.8	16.63	17.28
Domestic savings (% GDP)	2.25	2.33	2.72	8.31	8.45
Exchange rate (Taka/US\$)	15.47	26.06	32.93	40.20	50.80

Source: Bangladesh Bureau of Statistics and Government of Bangladesh, *The Fifth Five-Year Plan (1997-2002)*.

Likewise, the level of investment rose from 12.9 per cent of GDP in FY1985 to 17.3 per cent in FY1999. During this period, Bangladesh has made efforts to improve its balance-of-payments. Higher growth of both exports and overseas workers' remittances coupled with a visible decline in imports in the early 1990s helped the country to restrain the current account deficit.¹¹ According to data from the International Monetary Fund (IMF), the current account deficit dropped from 3.2 per cent of GDP in 1985 to 0.8 per cent in 1999. The overall balance-of-payments deficit, however, improved marginally from 0.6 per cent to 0.5 per cent of GDP in the same period.¹²

Despite these moves toward stabilizing the economy, the country's hope of meeting its myriad developmental challenges through market-oriented reforms has been frustrated largely by slow economic growth. Throughout the 1980s, the economy grew by an estimated four per cent annually, much lower than the seven to eight per cent required for reducing mass poverty. After a decade of virtual stagnation, the economy showed signs of taking off, when GDP growth surprisingly reached 6.6 per cent in FY1990.¹³ Unfortunately, the growth rate fell to 3.4 per cent in the next financial year, and for the 1990-98 period, the average growth rate was 4.8 per cent annually.¹⁴ In other words, macro-economic improvements did not lead to the attainment of significantly higher levels of GDP growth.

Poverty and human development

Slow GDP growth has had serious implications for human development in general, and poverty alleviation in particular. Although donor-sponsored studies show that the poverty situation improved somewhat in the 1980s, the slow economic growth did very little to alleviate absolute poverty. Indeed, most studies suggest that both rural and urban poverty increased during this period.¹⁵ Such a trend remained largely unchanged until the first few years of the 1990s. Since 1992, according to the World Bank, poverty has at last begun to decline in both rural and urban areas. Using the cost of basic needs method, it suggests that the number of "very poor" dropped from 41 per cent in 1983-84

to 36 per cent in 1995-96. During the same period, the number of “poor” declined from 59 per cent to 56 per cent, although “the depth and severity of poverty” increased significantly, worsening the conditions of the poor.¹⁶ Also, rural poverty remained much higher than urban poverty throughout this period.¹⁷

Table 4: Bangladesh: Human development indicators (1990-98)

Year	Life expectancy at birth (years)	Adult literacy rate (%)	Real GDP per capita (US\$)	Human development index	Human development rank
1990	51.8	35.3	872	0.189	147 (out of 173 countries)
1992	52.2	36.6	1,160	0.309	146 (out of 173 countries)
1994	56.4	37.3	1,331	0.368	144 (out of 175 countries)
1998	58.6	40.1	1,361	0.461	146 (out of 174 countries)

Source: UNDP, *Human Development Reports 1993, 1994, 1997 and 2000* (New York: Oxford University Press).

While independent studies confirm that there have been some improvements in the living standards of the majority (see Table 4), incidences of both “moderate” and “extreme” poverty are still very high. Using the daily calorie intake method,¹⁸ most estimates show that almost half of the population, about 47.5 per cent, remained trapped below the poverty line in 1995-96.¹⁹ The situation is much worse when the Capability Poverty Measure (CPM) is used to determine poverty.²⁰ According to the *Human Development Report 1996*, the CPM value for Bangladesh is 76.9 per cent—one of the highest in the world. The report reveals that 52.9 per cent of the total population lack access to healthcare and malnutrition contributes to a majority of deaths of children under five. It also shows that the profile of human deprivation in Bangladesh is significantly higher than many of its neighbors, including, Sri Lanka, Pakistan and India.²¹

What is even more important are the growing inequalities between the rich and the poor in both urban and rural areas. Like many other developing countries, Bangladesh has experienced rising inequalities since the beginning of the 1980s. For instance, the Gini coefficient rose from 0.372 in 1985 to 0.430 in 1995—a clear indication that inequalities are on the rise.²² Similarly, the number of landless people increased significantly over the last two decades. A recent World Bank report notes that “landlessness has significantly risen”—as many as 56 per cent of rural households were functionally landless in 1997 (i.e., they had no land or less than half an acre) compared to 46 per cent in 1983-84. This increase would have been larger if there had not been a large rural to urban migration during this period.²³

Despite such a dismal human development record, Bangladesh has already begun to witness some impressive efforts to reduce poverty, largely through the implementation of various models of grass-roots democratization and development adopted by its vibrant NGO sector. Bangladesh enjoys a strong NGO community, involved in broader development activities. Some of them have already become “legendary” in such areas as micro-credit, non-formal education, primary health care and empowerment of the poor. Many of these NGOs, notably, the Grameen Bank and the Bangladesh Rural Advancement Committee (BRAC), are widely acclaimed for their innovative development strategies focusing on group-based mobilization, beneficiary participation and micro-enterprises. They are particularly praised for successfully raising the issue of gender discrimination in a male-dominated society, where traditional cultural practices keep women subordinated to men in virtually every aspect of their lives. In these ways, the Bangladeshi NGO community is creating hope of democratic development in Bangladesh in the 21st century.

The politics of distrust and violence

Bangladesh’s unstable political system remains the major source of disappointment in its search for sustainable democratic development in the twenty-first century. Although the country witnessed the restoration of democracy in 1991, continued conflict between the ruling party and the mainstream opposition has perpetuated a highly volatile political landscape in the country. The widening mutual distrust between the two political leaders, Prime Minister Sheikh Hasina and Mrs. Khaleda Zia, leader of the Bangladesh Nationalist Party, has resulted in the creation of a chaotic situation where rival groups are increasingly using violence to achieve their conflicting political goals. Most observers suggest that if the two leaders fail to reconcile their personal differences, it seems likely that Bangladesh will face an uncertain future, which will hinder its search for peace, development and prosperity in the new millennium.

Development goals and priorities

Identifying the immediate need to effectively address the issue of poverty, the Government of Bangladesh has set out the following broader development goals and priorities within the framework of the Fifth Five-Year Plan (1997-2002):

- Alleviation of poverty through accelerated economic growth during the plan period to bring about a noticeable improvement in the standard of living
- Generation of substantial employment opportunities and increased productivity
- Improvement in the quality of life of the rural population through mobilization of the rural masses and resources
- Transformation of the rural socio-economic structure to be more equitable, just and productive, so that it contributes positively to the empowerment of the rural poor

- Attainment of food production beyond the self-sufficiency level in the shortest possible time
- Human resources development with emphasis on compulsory primary education, vocational training and laying the foundation for a knowledge-based society
- Development of rural and urban infrastructure to promote growth
- Development of industries essentially based on comparative advantage
- Development of hitherto neglected areas like the northwest region, Chittagong Hill Tracts and coastal areas
- Achievement of a lower population growth rate and ensuring necessary health care and improved nutrition of mother and child
- Strengthening the country's scientific and technological base with emphasis on generating new technologies
- Protection and preservation of the physical environment by putting in place adequate regulatory regimes and effective institutions
- Closing the gender gap by giving priority to women's education, training, employment and special support for education of girls
- Establishment of social justice through equitable distribution of income, resources, and opportunities and creation of effective safety nets for the socially and economically disadvantaged sections of the population
- Putting in place effective local government institutions at different levels.²⁴

Within such a broad development framework, the Government of Bangladesh is pursuing several strategic policies, as mentioned in a recent government document,²⁵ to improve the socio-political conditions of the poor, particularly those who are classified as “extreme poor”. The government has identified a few interrelated factors, such as low economic growth, inequitable distribution of both income and productive assets, growing unemployment and underemployment, high population growth rate, low level of human resources development, frequent natural disasters, and limited access to public services, as the major causes of continued poverty and under-development of the majority. It has made an effort to devise what it calls a “pro-poor plan” for the alleviation of rural poverty in the country. Some of the major objectives of the pro-poor plan, as outlined in the Fifth Five-Year Plan, are summarized below:

- Develop democratically elected local government bodies which will ensure adequate representation of women

- Improve the country's human development profile through the expansion of education, health care, family planning and welfare services
- Create income-generating opportunities for the poor by linking them with various social services
- Encourage the poor to build their own development organizations at the grassroots so that they can tackle effectively their own developmental needs
- Enhance the technological skills of the poor in order to enable them to find productive employment
- Ensure the access of the poor to financial resources, particularly micro-credit operations
- Empower the poor and disadvantaged women by enabling them to participate in various developmental activities
- Develop an effective delivery system in order to minimize organizational expenditures.²⁶

In short, rural development has been given a top priority in the Fifth Five-Year Plan. Its main objective is to reduce rural poverty by increasing both farm and non-farm production and by generating self-employment opportunities for the poor.

Poverty reduction strategy²⁷

The government has also devised a two-fold poverty reduction strategy, as outlined in the Fifth Five-Year Plan:

- *Human Resources Development:* The government plans to launch new projects in the areas of education, health, family planning, social welfare, women and youth development and sanitation to improve the country's poor human development record. It also hopes to establish a variety of export-oriented industries, such as electronics and garments, to create large-scale employment opportunities for the rural poor.
- *Economic Development of the Poor:* The "pro-poor plan" aims to generate self-employment opportunities for the rural poor by targeting them through various programs. The Plan targets people who are basically assetless/landless, owning less than 1.5 acres of land. In addition, to help these poor to get involved in productive income-generating activities, the plan also offers training programs to enhance their ability to find employment.²⁸

Some of the major poverty alleviation programs undertaken by the government are briefly discussed below:

- *Safety nets:* The government is using food aid to establish a safety net for the rural poor. Such a program is implemented through four different types of activities: Food for Work; Test Relief; Vulnerable Group Development; and Food for Education for Girl Students. While the first two are safety nets against seasonal poverty, the latter two are designed to improve the status of the most disadvantaged groups living in rural areas.
- *Poverty-focused rural development projects:* In order to both increase food production and create self-employment opportunities for the poor in the rural areas, the government has established a separate institution for the rural poor through the enactment of the Palli Bittahin (Rural Assetless) Foundation in 1999. Such an institution is intended to widen opportunities for the poor, particularly for women, to undertake various development projects, enabling them to become self-reliant. The Foundation's programs are supported by CIDA.
- *Provide low cost accommodation:* The government seeks to strengthen its ongoing program called "low cost accommodation for the poor" through a variety of projects, namely Asrayon (Shelter), Adarsha Gram (Ideal Village), Ghorey Fera (Back to Village) and Karma Sangsthan Bank (Employment Generation Bank). Most of these projects are designed to support the poor to build their own shelters.
- *Welfare programs:* The government is also implementing a number of welfare programs in rural areas, including the old-age pension scheme which is intended to provide a token monthly allowance of TK100, or less than C\$3, to some 500,000 older men and women classified as "extremely poor". As well, the Foundation for the Development of the Handicapped and Old-Age Homes was established to help under-privileged and vulnerable segments of society.²⁹

3

Canadian Development Assistance to Bangladesh: A brief overview

Canada's development assistance to Bangladesh began in 1971, immediately following the war of liberation and independence from Pakistan (see Tables 5 and 6). During the initial years, Canadian support consisted mainly of food aid, humanitarian assistance, relief and rehabilitation works, and rebuilding basic infrastructure, which was almost totally destroyed during the war.³⁰

Canada's official development assistance (ODA) to Bangladesh is mainly channeled through the Canadian International Development Agency (CIDA), which is responsible for managing about 75 per cent of the Canada's total ODA budget. CIDA relies upon four major channels to provide assistance to the developing world, including Bangladesh:

- **Bilateral Programs:** (government-to-government or country-to-country): These programs are designed to provide financial assistance to a variety of development projects and/or programs sponsored and/or supported by about 100 partner countries. Such programs constitute approximately 40 per cent of CIDA's budget.
- **Multilateral Programs:** These programs support the development initiatives undertaken by a variety of international organizations, such as the United Nations, Commonwealth, the World Bank and the Asian Development Bank.
- **Partnership Programs:** CIDA offers financial assistance to the development efforts of Canadian non-governmental organizations in various parts of the developing world.
- **Business Cooperation Programs:** In addition to assisting the Canadian business community in promoting trade and investment for Canada in different parts of the world, these programs are designed to encourage Canadian entrepreneurs to help the developing world meet the challenge of development.

Table 5: Canadian bilateral aid to Bangladesh (1972-73 to 1998-99; C\$ millions)

Year	Amount (C\$millions)
1972-73	48.28
1973-74	59.27
1974-75	73.80
1975-76	29.48
1976-77	37.28
1977-78	72.10
1978-79	71.79
1979-80	65.18
1980-81	74.4
1981-82	77.87
1982-83	97.72
1983-84	107.31
1984-85	103.28
1985-86	100.11
1986-87	124.58
1987-88	128.23
1988-89	142.94
1989-90	125.33
1990-91	117.24
1991-92	97.2
1992-93	85.94
1993-94	63.05
1994-95	54.30
1995-96	73.04
1996-97	67.37
1997-98	65.37
1998-99	56.04

Source: CIDA, *Annual Reports* until 1992-93; *Statistical Report on Official Development Assistance*, International Development Information Centre (IDIC), *Annual Reports*, 1993-99, Hull.

The ODA guidelines for Canada, as outlined in *Canada in the World*, and CIDA's approach in Asia³¹ provide the basis for Canadian assistance to Bangladesh. CIDA's programs in Bangladesh are largely directed by the following six program priorities:

- Basic human needs
- Women in development
- Infrastructure services
- Human rights, democracy and good governance
- Private sector development
- Environment.

However, CIDA's Country Programming Framework (CPF) for Bangladesh, which was approved in May 1999, concentrates its activities in two major areas. The CPF, which sets out the main objectives and priorities for the allocation of Canadian development cooperation to Bangladesh in the coming years, suggests that in order to meet the development challenges facing Bangladesh in the new millennium, CIDA's program will revolve around:

- **Basic Human Needs:** The majority of Canadian resources are to be directed at Bangladesh's basic human need programs, which promote human security at different levels. Such programs are designed to reduce the sufferings of the poor and the needy, living in both rural and urban areas. CIDA offers financial support to the provision of primary health care, basic education, family planning, nutrition, micro-credit, shelter, water, and sanitation.
- **Governance:** Like the "good governance" programs of most donor organizations,³² CIDA's governance activity is directed primarily toward the improvement of the structure of development management in Bangladesh. Its programs offer support to government and non-governmental organizations, including the private sector, to "increase their institutional sustainability". In brief, CIDA's governance programs address a few crucial issues such as transparency, policy reform, accountability, and efficiency.³³

Historically, Canadian development assistance to Bangladesh has focused more on the reduction of poverty than any other development issue as poverty remains the major challenge for Bangladesh. Along with its local and international partners, it has made efforts to help the country to escape both "absolute" and "relative" poverty over the last 25 years. Key areas of development support include food production, primary health care and family planning, literacy and primary education, income-generating activities and/or micro-credit programs, water management, including irrigation, fisheries development, flood control, agriculture and environment, infrastructure services, energy development and rural electrification.³⁴ (For a list of current CIDA projects involving government organizations, NGOs, civil society groups and entrepreneurs see Table 7, p. 23.)

Table 6: Commitment and disbursement of Canadian bilateral aid to Bangladesh
(1971 to 1997/98; US\$ millions)

Year	Commitment						Disbursement					
	Food	Commodity		Project		Total	Food	Commodity		Project		Total
	Grant (Loan)	Grant	Loan	Grant	Loan	7=2+3+4+5+6	Grant (Loan)	Grant	Loan	Grant	Loan	13=8+9+10+11+12
1	2	3	4	5	6		8	9	10	11	12	
1971/72	24.100	-	-	20.117	-	44.217	7.412	-	-	-	-	7.412
1972/73	20.000 (6.5 L)	9.815	-	20.000	-	38.315	30.334	2.897	-	3.063	-	36.294
	44.100 (6.5 L)	9.815	0.000	22.117	0.00	82.532	37.746	2.897	0.000	3.063	0.000	43.706
1973/74	18.700 (3.5L)	8.123	-	-	6.000	36.323	23.754 (10 L)	4.781	-	15.562	2.000	56.097
1974/75	55.000	13.832	-	6.200	-	75.032	52.3004	11.462	-	6.184	4.000	73.946
1975/76	-	20.604	-	6.600	-	27.204	.000	13.374	-	2.028	-	18.402
1976/77	20.000	7.000	-	10.000	-	37.000	20.000	18.019	-	1.651	-	39.670
1977/78	31.000	21.900	-	27.000	-	79.000	31.000 24.699	24.019	-	15.700	-	71.399
	124.700 (3.5 L)	71.459	0.000	49.800	6.000	255.459	131.054 (10 L)	71.335	0.000	41.125	6.000	259.514
1978/79	40.000	30.000	-	52.496	-	122.496	40.000	25.076	-	7.215	-	72.291
1979/80	74.800	20.000	-	-	-	94.800	40.000	25.000	-	-	-	65.000
	114.800	50.000	0.000	52.469	0.000	217.296	80.000	50.076	0.000	7.215	0.000	137.291
1980/81	-	17.400	-	31.427	-	48.827	34.800	19.511	-	15.471	-	69.7852
1981/82	26.100	29.639	-	30.520	-	86.259	26.100	15.725	-	26.037	-	67.862
1982/83	82.000	23.500	-	2.608	-	108.108	59.800	14.985	-	10.900	-	85.685
1983/84	105.571	53.840	-	36.226	-	195.637	98.411	20.903	-	18.465	-	137.779
1984/85	136.522	-	-	7.341	-	143.863	28.257	34.717	-	18.410	-	81.384
	350.193	124.379	0.000	108.122	0.000	582.694	247.368	105.841	0.000	89.283	0.000	442.492
1985/86	-	41.277	-	59.646	-	100.923	81.138	6.318	-	10.843	-	98.299
1986/87	-	54.925	-	130.642	-	185.567	56.487	17.636	-	24.736	-	98.859
1987/78	130.726	-	-	-	-	130.726	22.847	27.947	-	17.542	-	63.336
1988/89	7.416	-	-	38.225	-	45.641	28.347	20.960	-	69.540	-	118.847
1989/90	-	-	-	47.280	-	47.280	33.225	0.000	-	70.423	-	103.648
	138.142	96.202	0.000	275.793	0.000	510.137	222.044	72.861	0.000	193.074	0.000	487.989
1990/91	-	-	-	14.791	-	14.791	69.542	12.851	-	29.831	-	112.224
1991/92	52.785	29.016	-	30.507	-	112.308	14.234	11.089	-	36.443	-	61.776
1992/93	-	-	-	-	-	0.000	17.52	41.697	-	34.258	-	93.475
1993/94	-	-	-	-	-	0.000	12.692	0.121	-	19.021	-	31.834
1994/95	43.651	-	-	-	-	43.651	4.639	14.992	-	27.463	-	47.094
	96.436	29.016	0.000	45.298	0.000	170.75	80.75	0.000	147.016	0.000	346.393	
1995/96	-	-	-	7.560	-	7.560	7.687	0.010	-	17.150	-	24.847
1996/97	-	-	-	12.352	-	12.352	16.220	0.004	-	14.219	-	30.443
1997/98	-	-	-	29.551	-	29.551	6.334	-	-	8.144	-	14.478
	0.000	0.000	0.000	49.463	0.000	49.463	30.241	0.014	0.000	39.513	0.000	69.768
Total	868.371 (10 L)	380.871	0.000	603.089	6.000	1868.331	867.080 (10 L)	383.774	0.000	520.299	6.000	1787.153

L = Loan

Source: Government of Bangladesh, ERD.

While the general objective of these CIDA-supported programs is to reduce poverty, many of them are directed toward the improvement of the status of women in Bangladesh's male-dominated society. For instance, the Rural Maintenance Program, which is one of the major CIDA-supported projects in Bangladesh, aims to maintain approximately 72,000 km of rural roads through the generation of employment for destitute women. The project provides training to poor women in maintaining rural earthen roads. Since the inception of the project in 1983, it has created opportunities for about 180,000 destitute women to work year round in approximately 4,100 union parishads.³⁵

Along with other donors, both bilateral and multilateral, CIDA plays an important role in assisting the Government of Bangladesh to develop a national environmental regulatory framework, which is expected to generate greater public awareness about the necessity of preserving the natural environment.

In addition to supporting government-sponsored programs, since the mid-1970s, CIDA has been very active in assisting the NGO sector in emerging as a major development actor. It channels financial resources to a few selected Bangladeshi development NGOs, notably Proshika Manobik Kendra and BRAC, helping them to strengthen their institutional capacities so that they take on a greater role in achieving the broader goals of sustainable development. Finally, in association with key international organizations, CIDA also supports efforts to create an enabling environment for market-led economic growth in Bangladesh.

Although Bangladesh continues to be a major recipient of CIDA's assistance, total disbursements have declined since the fiscal year of 1990/91. As seen in Table 5, Canadian bilateral aid to Bangladesh decreased from C\$142.9 million in 1988/89 to C\$ 56.0 million in 1998/99.³⁶ In other words, Bangladesh has witnessed a substantial cut in CIDA's assistance in the 1990s, making Canada a relatively small bilateral development partner of Bangladesh, which receives some US\$2 billion annually from both bilateral and multilateral sources. According to a report of the Government of Bangladesh, Canada now ranks eleventh among donors in Bangladesh.³⁷ Multilateral institutions, particularly the World Bank and the Asian Development Bank, are major sources of public development finance in Bangladesh. A number of bilateral donors such as Japan and the United States also inject a considerable amount of finance into the country's aid-dependent economy.

Despite being a relatively small player, Canada participates in the country's well-established and well-functioning donor coordination mechanisms and thus is able to play a role in Bangladesh's quest for democracy and development (a detailed discussion of such a strategy is presented in the section, "Coherence between Canada and major donors"). As part of the Like-Minded Group (LMG), for instance, Canada prepared a policy statement on Bangladesh's governance for the Bangladesh Development Forum meeting in Paris in April 1999. In the statement, not only did Canada express its serious concerns over Bangladesh's inability to improve its poor governance record, it also took the opportunity to identify the major causes of Bangladesh's failure to develop an enabling policy environment for both accelerating growth and improving its development performance.³⁸

4

Poverty and policy coherence

Coherence between CIDA and DFAIT

At the headquarters level, the institutional relationship between CIDA and the Department of Foreign Affairs and International Trade (DFAIT) with respect to Bangladesh is maintained largely through informal contacts between the desk officers of these two organizations. Although it appears that both of the departments enjoy organizational autonomy to design and implement their policies toward Bangladesh, the desk officers of these two theoretically “independent”, but somewhat inter-linked organizations use their personal contacts to keep each other informed about their activities.³⁹ Besides, if a need arises, DFAIT and CIDA officials meet occasionally to share information in order to achieve their organizational objectives. Both in the design of programs and in the formulation of policies, they also often consult each other which helps keep the officials of these organizations informed. Despite these efforts to maintain organizational collaboration, during our interviews it transpired that most CIDA and DFAIT officials considered themselves as “independent”, pursuing distinct goals in Bangladesh.⁴⁰

What was interesting to observe, at the field level, were the various ways in which these two very different organizations worked in conjunction with each other. Both CIDA and DFAIT officials have formal meetings at least once a month, if not more frequently, to share information and to discuss issues of mutual interest. “Such meetings help us”, according to a DFAIT representative, “develop and maintain good working relationships between the two organizations.” A CIDA official at the Canadian High Commission in Bangladesh also shared this opinion: “we work like a team; we cooperate with each other to achieve our common goals”.⁴¹

However, not all field officials felt the same way. “Just because we meet every month, and we inform each other about our relevant activities”, according to another CIDA official, “does not necessarily mean that we have a warm organizational relationship. We know that we are different, representing two seemingly diverse sets of organizational goals and interests”.⁴²

Given the recent revival of a market-led approach to development, how rational or valid is this statement?⁴³ The resurgence of neo-liberal models of development has in effect created the need for both DFAIT and CIDA to step up efforts to cooperate more effectively in order to achieve Canadian broader foreign policy objectives, namely “the promotion of prosperity and employment”.⁴⁴ Since CIDA has already started adapting to the recent dramatic changes in the global political economy and since DFAIT has begun to assume a new role in exploring opportunities for Canadians in the global market, it becomes inevitable for them to work out a more cooperative institutional arrangement for enhancing organizational collaboration. Such an arrangement may help them reach com-

mon ground without changing poverty reduction as the main development priority for CIDA and DFAIT in a country like Bangladesh.

This sort of close organizational collaboration, however, could emerge as a direct threat to CIDA's focus on meeting the needs of the poor if CIDA falls prey to what can be called the ideology of market fundamentalism. Excessive focus on either expanding economic growth or promoting Canadian business interests may easily overshadow CIDA's commitment to both poverty reduction and sustainable development. While conducting field research, it became evident that several DFAIT officials and Canadian business organizations misunderstood the purpose of Canadian development cooperation in Bangladesh. A number thought that CIDA's programs were not sufficiently directed toward the creation of business and investment opportunities.⁴⁵ One Canadian official made frequent reference to the programs of the USAID and the World Bank to suggest that CIDA's activities should increasingly focus on promoting Canadian business interests in such areas as energy, telecommunications, manufacturing and services.⁴⁶

However, most CIDA officials we interviewed rejected such a view, instead arguing that:

CIDA is concerned primarily about sustainable development... we have been sent here to help the Bangladeshi government and civil society groups to strengthen their capacity so that they become more effective in reducing poverty. We are not here to use aid money to create business and investment opportunities for Canada.⁴⁷

A well-functioning coherence mechanism not only would allow CIDA and DFAIT officials to develop a greater understanding of each other's objectives, but also may actually help Canada to achieve its broader foreign policy goals.

Coherence between CIDA headquarters and the field office

While CIDA headquarters and the field office seem to work together as a team, this report finds CIDA to be a centralized and hierarchical institution especially with respect to designing and implementing policies and programs. The decision-making power appears to have rested in the hands of a few upper level officials based in Ottawa. Headquarters usually defines, guides and prioritizes the context in which the field officials operate, which in turn affects negatively, this report observes, the ability of field level officials to more actively and effectively influence Bangladesh's development process. Such a practice is particularly confusing for an organization that promotes widely such concepts as "participation", "decentralization" and "empowerment".

This is not to say that CIDA headquarters either makes major policy decisions or designs programs without seeking comments and/or suggestions from the relevant field officials. CIDA headquarters often ensures that policies are formulated and programs designed in consultation with the field office. The usual practice is that the headquarters asks for comments and/or inputs from the local office prior to the formulation of a country policy and/or strategy. Similarly, when preparing a project, the program manager consults with the relevant field officer in order to define and structure the

context. In addition, headquarters officials organize field visits to gather first-hand information so that they can assess more accurately the need for and significance of a particular program and/or project.

Table 7: Current CIDA projects in Bangladesh

Project Name	Budget (C\$)	Duration (years)
Projects with the Government of Bangladesh		
Dampara-Water Management	5,000,000	5
Kalni-Kushiyara River Community Development	2,890,000	2
Independent Panel of Experts (IPOE)	450,000	5
Farm to Market Enterprise Development (FMED)	10,000,000	5
Poultry Feed Project	4,850,000	4
Rural Bittahenn Institution (Micro-finance)	67,166,000	11
Rural Maintenance Program (RMP) (Phase III)	13,500,000	6
Infrastructure Investment Facilitation Centre (IIFC)	5,000,000	3
Modernization of the BWDB Accounting System	2,500,000	2
Private Sector Regulations Implementation & Support Mechanism (PRISM)	2,000,000	4
Health & Population Sector Reform	25,400,000	5
Policy Leadership and Advocacy for Gender Equity (PLAGE)	4,940,000	3
Environmental Management	13,076,000	6
Bangladesh Railway Program (Phase II)	99,446,000	11
Projects with NGOs		
Proshika Kendra (Phase V)	14,400,000	5
BRAC Rural Development Program (Phase II)	14,250,000	5
Institutional Support for Local NGOs (FIT/PRIP)	2,950,000	3
NGO Policy Education	2,700,000	3
Adolescent Development Program	2,600,000	5
Gender Fund (Phase II)	2,000,000	5
Canada Fund for Local Initiatives	600,000	1
Bangladesh Environment Initiatives Fund	500,000	4
CIDA Partnership Branch Initiatives	3,000,000	3
Other		
BUET/University of Alberta Institutional Linkage	9,680,000	16
Program Support Unit (PSU)	4,650,000	7
Food Aid Program		
Food Aid: 220,000 metric tons	49,500,000	3

Source: CIDA.

Yet such a process does not take away the fact that local officials enjoy very little autonomy with regard to the design and implementation of various development projects, let alone policies. In most cases, as stated by several local officials, consultation does not necessarily give them a voice in decision-making. When asked, a CIDA officer commented on this issue by saying:

We can only send our analysis, report our views, and put forward recommendations as to what we think appropriate for CIDA to do; the decisions are going to be made by Ottawa. And it is most likely that our judgment might not be reflected in the final decision.⁴⁸

For instance, the role of the local CIDA officials in the formulation of the recent CPF was limited primarily to discussions and comments on the draft document. As we were informed, having prepared the draft in Ottawa, the document was sent to the High Commission for review and comments. Although the local officials were able to meet, discuss, and prepare their comments on the draft CPF, unlike the practice of other key donor organizations/agencies working in Bangladesh, they had very little opportunity to either assess the nature of CIDA's intervention in Bangladesh or to recommend alternative policy or program options in order for CIDA to have greater impact on Bangladesh's development process.⁴⁹

While most headquarters officials we spoke with identified the issue of accountability as the main reason for Ottawa to be in control over its policy-making process, the overall need for the local office to respond positively and quickly to the emerging development concerns and initiatives at the micro-level is basically ignored.⁵⁰ What implications does a top-down decision-making process have for addressing the challenges of poverty? In other words, how does such a centralized decision-making mechanism affect CIDA's poverty reduction efforts in Bangladesh?

A CIDA official claims that:

The lack of autonomy for the local office not only affects its ability to undertake programs and policies based on the conditions at the grassroots, more importantly, it also creates undesirable tension in the institutional relationship between CIDA and its various local partners, including the Government of Bangladesh.⁵¹

When discussing CIDA's role in enhancing donor coordination, a donor representative in Dhaka commented that:

Although CIDA officials always take interest in enhancing donor coordination, they often fail to make adjustments with other donors' policies. This is simply because they are too inflexible; or at least that is what I have gathered from my long association with CIDA officials working in Bangladesh.⁵²

Most Bangladeshi government and NGO executives that we interviewed also expressed similar views. According to a representative of the Bangladesh government, who interacts with different donors on a regular basis:

Local CIDA officials are not empowered enough to make a decision on the basis of their own assessment. The headquarters does not probably leave any room for allowing the local CIDA officials to make any major decision at the field level.⁵³

The present practice of hiring Canadian consultants and/or consulting firms by Ottawa also affects the ability of local officials to monitor effectively development activities in Bangladesh.⁵⁴ In most cases, as informed by local officials during our fieldwork, headquarters does not consult with the local office before hiring a consulting firm and/or individual consultants, perhaps because this would be administratively complex. Although the consultants work in close cooperation with the field office, they tend to ignore the presence of local CIDA officials and often prefer to maintain direct liaison with Ottawa, making the local office feel that they have no relevant expertise necessary to oversee the work of the consultants.

Coherence between Canadian government and business organizations

One of the major Canadian foreign policy objectives, as stated in Canada in the World, is

to gain access for our goods and services abroad; to reinforce an open, fair and predictable set of rules governing international trade and investment; and to provide means to ensure that Canadian firms are able to take advantage of opportunities abroad.⁵⁵

It is assumed that Canadian development assistance not only enables the developing world to reduce poverty, but also it will create opportunities for Canadian companies and individuals to grow and prosper.⁵⁶ In other words, it is expected that Canadian aid to developing countries will lead to trade, investment, and employment opportunities for Canada. Questions should be raised about the impact of linking aid to trade in this way, in particular how the promotion of Canadian business interests abroad affects CIDA's focus on sustainable human development. Such a policy reorientation may help CIDA to support the Government of Canada in achieving its goal of "global prosperity," more than CIDA's altruistic and humanistic vision.⁵⁷ But the issue here is whether it will better position CIDA to support the efforts of the government and people of Bangladesh to reduce poverty.

Given the complex development challenges facing Bangladesh, both CIDA and DFAIT may consider helping the country create greater trade and investment opportunities by developing an integrated country strategy. Most analysts suggest that Bangladesh's poverty reduction tasks will become much more complicated if the country fails to increase its annual rate of economic growth from the current five per cent to a minimum of seven per cent. The realization of such a growth plan will require higher levels of investment, predominantly from domestic sources (both private and public) though private foreign direct investment will play a key role in certain sectors. If CIDA is to broaden

its poverty reduction efforts, it should strengthen its support of measures to stabilize Bangladesh's macro-economy.⁵⁸

For instance, CIDA's governance programs,⁵⁹ which are designed primarily to enhance the capacity of the state, private sector and civil society groups to manage the economic and social resources of a country, can be used more effectively to create an enabling environment for growth and social development in Bangladesh. This will require CIDA, in association with other donor organizations, to address such crucial issues as the implementation of market reforms, the enhancement of private sector competitiveness, the improvement in investment opportunities for private foreign investors, and the expansion of foreign markets for Bangladeshi products, especially in Canada.⁶⁰

Both the acceleration of economic growth and the creation of investment and business opportunities for Bangladesh will largely depend upon the willingness and/or the ability of DFAIT to complement CIDA's governance and poverty reduction programs. In particular, an integrated approach could ensure that Canada not only takes advantage of Bangladesh's emerging economic opportunities, but also plays a more defined role in accelerating growth and reducing poverty in Bangladesh. This would require DFAIT to develop an enabling policy environment, i.e. one which helped Bangladeshi products to find a relatively secure place in the Canadian market, on the one hand, and which facilitated more investment and business opportunities for Canadian entrepreneurs in Bangladesh, on the other. There is no doubt that Bangladesh's geographical remoteness and its frenzied political landscape would make this a truly challenging job for DFAIT.⁶¹ According to a DFAIT representative:

Bangladesh's geographical remoteness and its uncertain political climate are two of the main reasons why Canadian companies take little or no interest in the country's emerging market. Even the few Canadian companies that took the trouble to travel to Bangladesh, became very quickly disillusioned about the prospects for their potential investment in Bangladesh due to the country's highly bureaucratic, inefficient, and corrupt management system.⁶²

Another DFAIT representative voiced similar concerns:

Bangladesh's chance to join the "emerging tiger club" is becoming increasingly slim because of its highly unstable and unpredictable political environment. Relentless bickering between the government and the mainstream Opposition has created an anti-investment climate in Bangladesh, where Canadian companies don't want to go... Can you really blame them for not pumping their money into a place, which is full of uncertainties?⁶³

While neither country is a high priority trading partner for the other, bilateral trade between Bangladesh and Canada grew by 42 per cent from US\$103 million in 1990 to US\$146 million in 1998. As Table 8 shows, Canadian imports from Bangladesh tripled from US\$31 million in 1990 to US\$95 million in 1998, while exports fell by a third from US\$72 million to US\$51million. This led the trade surplus to move from US\$41 million in Canada's favour to US\$44 million in Bangladesh's favour. After a sharp decline in Canadian exports to Bangladesh to US\$20 million in 1993, there was a recovery in 1994, though exports remained below the levels recorded in the early 1990s.

Table 8: Canada's trade relations with Bangladesh (in US\$ millions)

Year	Imports	Exports	Trade balance
1990	31	72	41
1991	28	76	48
1992	35	67	32
1993	45	20	-25
1994	54	60	6
1995	73	53	-20
1996	64	42	-22
1997	87	65	-22
1998	95	51	-44

Source: IMF, *Direction of Trade Statistics Yearbook*, various issues.

Major Bangladeshi goods sold in Canada include ready-made garments, knitwear, jute and jute goods, leather and leather products, shrimps, handicrafts, ceramic goods and frozen fish (see Table 9). Many Bangladeshi producers, being new and small business actors, find the Canadian market highly competitive and seemingly dominated by a number of Asian and Latin American suppliers, mainly from China, South Korea, India and Mexico. As explained by Tofail Ahmed, Bangladesh's Minister for Commerce and Industries, to Raymond Chan, then Secretary of State for Asia Pacific region, during his visit to Bangladesh in May 1999, Bangladeshi producers need continued financial and political support from both the Canadian government and business organizations in order to penetrate Canada's market successfully.

Table 9: Major imports to and exports from Canada (in C\$ millions, 1999)

Imports to Canada from Bangladesh		Exports from Canada to Bangladesh	
Apparel and clothing accessories	124.0	Cereals	50.5
Fish, crustaceans, mollusks	7.3	Vegetables	37.2
Other textile articles	5.4	Oilseeds, oleaginous fruits	8.1
Headgear	4.7	Iron and steel	6.7
Vegetable, textile fibres	3.9	Pharmaceutical products	5.8
Toys, games, sports articles	0.9	Wood pulp	3.1

Source: Statistics Canada, *Imports by Country*, and *Exports by Country*, 1999.

Indeed, the issue of Canadian private investment in Bangladesh was top on the agenda during the Secretary of State's visit. A number of Bangladeshi ministers, including the Ministers for Commerce and Industries, Finance, Telecommunications and Energy, briefed the Secretary of State about the opportunities for Canadian private capital to invest in such areas as natural gas, power, telecommunications, computer software and data processing, electronic goods and agro-processing. They explained how Bangladesh's rapidly expanding market had increased the space for Canadian products, particularly wheat, oilseeds, vegetables, chemical goods, animal products and various types of equipment.⁶⁴

Table 10: Bangladesh's export markets (US\$millions)

Year	Total exports	Exports to US	% of total exports to US	Exports to EU	% of total exports to EU	Exports to Canada	% of total exports to Canada
1990	1,672	510	30	527	32	31	2
1991	1,687	449	27	697	41	28	2
1992	2,037	734	36	755	37	35	2
1993	2,277	765	34	900	40	45	2
1994	2,650	886	33	1,088	41	54	2
1995	3,129	999	32	1,386	44	73	2
1996	3,297	1,019	31	1,579	48	64	2
1997	3,628	1,290	36	1,528	42	87	2
1998	3,822	1,368	36	1,745	46	95	2

Source: IMF, *Direction of Trade Statistics Yearbook*, various years.

Bangladeshi government and business representatives also voiced their growing concern over the future of the garment industry that had been the driving force behind the country's remarkable export growth. In particular, they asked Canada to consider granting Bangladeshi products more favourable treatment, including duty-free entry for Bangladeshi garments.⁶⁵

This support could be given in a variety of ways. Canada offers special tariff treatment to imports from Bangladesh under the General Preferential Tariff (GPT). As a least-developed country, Bangladesh enjoys duty-free treatment for all products covered by the GPT. But most clothing is excluded; only clothing from countries with free trade agreements with Canada (notably Mexico) is duty-free. This discrepancy will become more important with the phase-out of the bilateral quotas governing international trade in clothing under the WTO Agreement on Textiles and Clothing (ATC). Under the Multi-fibre Arrangement (MFA), Bangladeshi garment manufacturers enjoyed preferential growth rates in their quotas, and in general the quota system was important for the development of the garment industry in Bangladesh. The phase-out of this system by the year 2005, coupled with tariff structures that favour competing suppliers, may well lead to the closure of a number of factories in Bangladesh and to widespread unemployment for garment workers.⁶⁶

Continued Canadian interest in improving the bilateral trade and investment relationship is crucial in accelerating growth and reducing mass poverty in Bangladesh.

Coherence between Canadian government and non-governmental organizations

Using both formal and informal mechanisms, DFAIT and CIDA headquarters organize separate consultations with various non-state actors, including NGOs, civil society groups and private companies. The frequency of such meetings depends on the urgency of the subject under discussion. Usually the NGO Partnership Branch of CIDA holds an annual consultation meeting in Ottawa with relevant Canadian NGOs and private sector organizations, including Canadian executing agencies (CEAs).⁶⁷ In addition, CIDA's Bangladesh desk organizes policy dialogues with those Canadian NGOs which, either directly or through their local partners, carry out development activities in Bangladesh. Respective desk officers also maintain informal contacts on a fairly regular basis with these NGOs.⁶⁸ In contrast, while DFAIT also engages in dialogue with civil society, its interaction is more frequent with business representatives than with NGOs and civil society groups working to improve the quality of poor people's lives.⁶⁹

CIDA headquarters' consultative meetings with NGO executives are designed, as suggested by both CIDA officials and NGO representatives, primarily to share information and discuss policies, programs and policy-relevant issues, and to hear the voice of the voluntary sector. Most NGOs take these consultations very seriously as they seek to influence CIDA's policies, programs and priorities. They view them as an excellent opportunity to discuss alternative development agendas that focus on the adoption of pro-poor, pro-environment and pro-partner policies. However, most NGO representatives do not think that the meetings or their pressure strategies have any real impact on CIDA's decision-making. This is because CIDA uses such consultations as a process, according to one NGO executive, "of rationalizing and/or legitimizing their already approved programs and policies".⁷⁰ In other words, NGOs may raise popular concerns, but the decision-making power ultimately rests in the hands of high-level CIDA officials.

What, then, is the purpose of the consultation process? Is it merely a "look good, feel good" exercise? A Canadian NGO representative answered these questions by saying:

CIDA holds consultation meetings with us because they know that we are knowledgeable; we can provide an objective, informative analysis of what is happening in Bangladesh and other parts of the world. However, our opinion hardly matters to them; they use their own judgment to make decisions.⁷¹

Despite such criticisms, all NGO representatives we interviewed agreed that these consultation meetings and/or dialogues were bridging the gap in understanding between civil society and the Canadian government, particularly CIDA headquarters. More important perhaps is that these meetings have earned NGOs the recognition that they can help Canadian development cooperation achieve its poverty reduction objectives by successfully targeting and reaching the poor. Most

Canadian government officials that we interviewed tended to agree that, NGOs perform an important intermediary role in both supplying information and facilitating the construction of a pro-poor decision-making process.

Coherence between Canada and major donors

Bangladesh is fortunate to have a fairly well institutionalized mechanism for donor coordination through which the donors interact with each other in general, and coordinate their developmental programs in particular. The mechanisms are also widely used by the donor community to influence relevant policies of the Government of Bangladesh. Among the mechanisms, the following deserve special attention:

The Development Forum (Annual Aid Consortium Meeting)

Through the World Bank-led formal mechanism called the Bangladesh Development Forum (previously known as the Annual Aid Consortium Meeting), donor policies and Bangladesh's development performance are coordinated and reviewed. Under the guidance of the World Bank, the Aid Consortium was established in 1974 to meet annually both to review the performance of Bangladesh's economy and to pledge official development assistance to Bangladesh. The Group is comprised of Australia, Belgium, Canada, Denmark, France, Finland, Germany, Italy, Japan, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom, the US, the Asian Development Bank, the European Union, the International Development Association, the International Fund for Agricultural Development, and various United Nations organizations, including the UNDP Kuwait and Saudi Arabia also participate in the annual aid club meeting as observers. Table 11 shows bilateral aid to Bangladesh from these various donors during the period 1971/72 to 1997/98.

Prior to the meeting, the World Bank prepares a country paper, known as the "Country Economic Memorandum" (CEM) that not only critically reviews Bangladesh's macro- and microeconomic performance, but also assesses the need for further external aid for the following fiscal year. Viewing the meeting as an opportunity either to get involved in constructive policy dialogue with relevant actors, or to address issues of critical importance, individual donor countries or organizations or a group of donors make short statements at the meeting. For instance, on behalf of the Like Minded Group, the Canadian, Swedish, Dutch, Norwegian, and Danish government representatives made statements on a variety of development-related issues at the aid consortium meeting held in April 1999. Such a forum also allows the Government of Bangladesh to identify potential areas for future development cooperation. Innovations in recent years have included the organizing of an Investors' Forum and a Civil Society Forum on the fringes of the Development Forum, though in both cases further work is needed to enhance the results.

Table 11: Bilateral aid to Bangladesh by 20 major donors (1971/72 to 1997/98; US\$millions)

Donor	Food			Commodity			Project			Total		
	Grant	Loan	Total	Grant	Loan	Total	Grant	Loan	Total	Grant 2+5+8	Loan 3+6+9	Total 11+12
1	2	3	4	5	6		8	9	10	11	12	13
1. IDA	-	-	0.0	-	2036.9	2036.9	-	3910.6	3910.6	0.0	4547.5	5947.5
2. Japan	230.7	163.2	393.9	1425.8	1371.6	2797.4	595.1	1321.5	1916.6	2251.6	2856.3	5107.9
3. ADB	-	-	0.0	-	637.2	637.2	26.2	3255.7	3281.8	26.2	3892.9	3919.0
4. US	1209.9	484.2	1694.1	442.4	146.2	588.6	779.7	133.0	912.7	2432.0	763.5	3195.4
5. Canada	867.0	10.0	877.0	383.8	-	383.8	520.3	6.0	526.3	1771.2	16.0	1787.2
6. UN system (ex. UNICEF)	1102.1	-	1102.1	158.0	-	158.0	414.0	-	414.0	1674.0	0.0	1674.1
7. Germany	103.2	2.5	105.7	321.2	196.7	517.9	650.6	68.8	719.4	1075.0	267.9	1342.9
8. UK	58.5	-	58.5	382.0	62.3	444.3	605.4	-	605.4	1045.9	62.3	1108.2
9. EU	624.7	-	624.7	112.0	48.0	160.0	300.8	-	300.8	1037.4	48.0	1085.4
10. Nether lands	14.8	-	14.8	433.1	23.7	456.8	430.4	47.6	478.0	878.3	71.3	949.6
11. Saudi Arabia	110.7	-	110.7	295.5	19.7	315.2	176.3	274.6	450.9	582.5	294.3	876.9
12. Sweden	31.2	-	31.2	196.5	-	196.5	355.8	10.6	366.4	583.5	10.6	594.1
13. Norway	10.5	-	10.5	186.9	-	186.9	343.7	-	343.7	541.0	0.0	541.0
14. France	61.8	-	61.8	14.0	20.2	34.2	212.5	226.3	438.9	288.3	246.5	534.5
15. Denmark	12.5	-	12.5	114.7	7.5	122.2	337.5	47.2	384.7	464.7	54.7	519.4
16. UNICEF	23.5	-	23.5	27.0	-	27.0	399.0	-	399.0	449.4	0.0	449.4
17. Russia	4.9	45.0	49.9	29.7	19.3	49.0	-	295.0	295.0	34.6	359.4	393.9
18. Australia	251.0	49.2	300.2	15.2	-	15.2	62.9	-	62.9	329.2	49.2	378.4
19. India	113.3	-	113.3	69.6	59.5	129.1	1.1	126.7	127.8	184.0	186.2	370.2
20. ISDB	-	-	0.0	-	165.0	165.0	16.4	99.3	115.7	16.4	264.4	280.8
Total	4830.3	754.1	5584.4	4607.3	4814.0	9421.3	6227.7	9822.8	16050.6	15665.3	15390.9	31056.3
All Donors	4891.7	762.6	5654.3	4755.5	5009.7	9765.2	6437.6	11363.5	17801.1	16084.8	17135.7	33220.6

Source: Government of Bangladesh, ERD.

CIDA participates actively in the Forum meetings to both address Bangladesh's development challenges and reflect on the success and/or failure of development initiatives in the country. It uses this larger development context, often in association with the Like-Minded Group, to review various strategies and programs that Bangladesh employs to achieve its twin objectives of poverty reduction and rapid economic growth. Through its participation in the meeting, CIDA pursues its own development agenda and makes its own programs more visible.

The Local Consultation Group (LCG)

Donors in Bangladesh share information and coordinate aid through a well-established mechanism called the “Local Consultation Group (LCG)” which was established in 1974 under the direction of the World Bank. The LCG is divided into 19 sub-groups, each of which is led by a representative of a relevant donor organization and/or country. A list of the sub-groups and their present leaders are presented in Table 12. As seen in the table, Canada currently presides over the NGOs and Micro-finance sub-groups.⁷²

Most sub-groups meet on a regular basis to discuss issues of mutual interests. While the intensity of activities vary considerably, most of these groups work together to enhance coordination between donor programs in Bangladesh. In so doing, they share useful information, prepare policy-relevant reports and documents, identify new areas of cooperation and prescribe policy options. Apart from coordination, these sub-groups also serve as a policy lobby, through which they often advise the Government of Bangladesh on various development issues. The government itself is represented on a third of the sub-groups, for instance it participates in the group on governance, health, education and poverty.

Table 12 : List of LCG sub-groups

Sub-group	Lead donor
<ul style="list-style-type: none"> • Agriculture • Fisheries • Water Management • Environment • Power • Rural Infrastructure • Railways • Urban Sector • Water Supply and Sanitation • Education • Health and Population • NGOs • Poverty Issues • WID Issues • Good Governance • Food Aid • Technical Assistance Coordination • Micro-finance • Private Sector Development 	<ul style="list-style-type: none"> • World Bank • ODA • Netherlands • USAID • lead donor • Sweden • ADB • ADB • UNDP/World Bank/RWSG • Netherlands • World Bank • Canada • UNDP • UNDP • UNDP • WFP • IMF • Canada • USAID/World Bank

Source: The World Bank Resident Mission, Dhaka, Bangladesh and ‘The World Bank’s Assistance to Bangladesh. Partnership in Development’ at <http://wbln0018.worldbank.org> consulted December 19, 2000.

While these sub-groups have increasingly taken an active role in developing a common understanding and a shared position on various relevant issues, they often work hard to reduce their differences. According to a representative of a key donor organization:

We do take interest in donor coordination... We attend the meetings of LCGs, discussing policy issues with our partners. This does not necessarily mean that we always try to develop a common approach... You have to keep in mind that we have our own priorities.⁷³

This reflects the difficulty donors usually face in generating a broader consensus on the needs and priorities of Bangladesh's development challenges. The task of coordination is indeed a difficult one given the reality that donors often pursue distinct, if not entirely different, development policies and programs. Despite such complexities, donors in Bangladesh appear to have successfully used the prevailing coordination mechanism to both minimize inconsistencies and promote an overall coherence between their developmental programs, priorities and policies. A relatively new instrument is the sector-wide approach (or SWAp) that has been used in Bangladesh in the case of health programming and funding.

The Like-Minded Countries (LMCs)

The Like-Minded Countries (LMCs), also known as the Like-Minded Group, consist of Canada, Denmark, the Netherlands, Norway and Sweden, which emerged as an alternative voice to the World Bank-dominated aid consortium meeting in the early 1980s. The group made its appearance in 1984 through the publication of a report prepared by The North-South Institute entitled *Rural Poverty in Bangladesh*.⁷⁴ This report provided the basis for taking the development agenda beyond the traditional macroeconomic concerns⁷⁵. Since then, the group has taken on a greater role in both reducing poverty and donor coordination. It has made several attempts to maintain its "unique" position, focusing more on the socio-cultural dimensions of development than macroeconomic issues. In its effort to develop an alternative approach to poverty reduction, between 1990 and 1996, the group published two more books entitled: *Can Rural Development Be Financed From Below: Local resource mobilization in Bangladesh* and *1987-1994: Dynamics of rural poverty in Bangladesh*.

Apart from publications, the LMCs meet occasionally to discuss issues of mutual interest in general, and to develop a somewhat common approach to poverty reduction and democratic development, in particular. More important, perhaps, is that they take initiatives to review the state of Bangladesh's development and present joint statements at the Development Forum. As a core member of the group, Canada has continued to use the LMCs' influence to assert its distinct role in promoting democracy and development in Bangladesh.

The Joint Consultative Group on Policy (JCGP) and Inter-Agency Coordination

The Joint Consultative Group on Policy (JCGP) was established in 1981 as an information exchange forum, involving the principal UN funding agencies providing development assistance to Bangladesh. The initial members were UNDP, the UN Population Fund (UNFPA) and UNICEF. The World Food Programme joined in 1983 and IFAD became a member of the group in 1988. Their main objective is to coordinate their programs and work together to achieve the goals of development in Bangladesh. However, the group's activity is limited primarily to its multilateral members.

Coherence between Canadian and Bangladeshi government organizations

The official bilateral relationship between Bangladesh and Canada can be characterized as “friendly” and “warm”. As members of the Commonwealth and signatories of the Nuclear Non-Proliferation Treaty, both countries share a foreign policy interest in global peace and human security. At the UN and other international fora, Canada and Bangladesh often cooperate with each other to reduce poverty, to fight hunger and to put an end to human suffering.

Since the inception of Bangladesh in 1971, Canada has shown its interest in the socio-economic development of the country, providing financial and technological assistance for the reduction of mass poverty. Despite budgetary cutbacks by the Government of Canada, Bangladesh still remains, as mentioned earlier, the largest recipient of CIDA aid, receiving a total of C\$96.1 million in 1998/99, including aid via multilateral institutions. Canadian country-to-country assistance that year amounted to C\$56.04 million, i.e., approximately 2.5 per cent of Bangladesh's total annual aid receipts.⁷⁶

The Government of Bangladesh primarily relies upon three main agencies, namely the Ministry of Foreign Affairs, the Ministry of Commerce, and the Economic Relations Division (ERD) of the Ministry of Finance, for coordinating its political, economic and trade relations with external organizations and countries, including Canada. However, the ERD is regarded as the focal point for negotiation, mobilization and coordination of all foreign resources, namely food aid, commodity aid, and technical assistance. The agency deals with bilateral and multilateral donors as well as international organizations. In addition, Bangladesh has a number of joint commissions and committees with several countries, constituted under general economic and technical cooperation agreements. These mechanisms are used for enhancing economic and technical cooperation between Bangladesh and its partners.

CIDA's assistance to Bangladesh is largely coordinated through the ERD. Also, Canada often deals directly with the line ministry in order to ensure the most efficient use of its funds. Most Bangladeshi government officials we contacted, which included representatives from a variety of such ministries and/or divisions as Foreign, Commerce and Industry, Environment, ERD, Finance, and the Board of Investment, expressed mixed feelings about greater coherence between CIDA and the Government

of Bangladesh. While they were happy with CIDA's interest in the country's development, most Bangladeshi officials did not approve of CIDA's management approach.⁷⁷ In a meeting with a group of Bangladeshi officials, the following view was shared with us:

CIDA never allows us to work as a partner. From the very preparatory stage of a project, CIDA wants to ensure that it is in charge of everything, from appointing consultants to spending the allocated budget. What is even worse is that CIDA never consults with us; it makes decisions on its own.⁷⁸

Another official, who served as director of a CIDA-funded project, commented on this issue by saying:

This (project) was a purely donor-driven project. CIDA prepared and implemented the project in such a way that it only served the interests of Canada. The project never meant to pay any attention to our priorities.⁷⁹

The 12 Bangladeshi government officials that we spoke with also voiced similar concerns. Most criticized CIDA for not giving them the space necessary for playing the role of an "equal partner".⁸⁰

Such criticisms were contested by CIDA officials, on the grounds that no project is implemented without extensive consultation and project documents illustrate that the Bangladeshi government's concerns and priorities are met. Similarly it was noted that the Government of Bangladesh has an equal voice in the project steering and management committees. On the other hand, they justified CIDA's role as a "dominant partner" on the grounds that "incompetent and corrupt Bangladeshi officials compelled us to ensure proper utilization of Canadian taxpayers' money".⁸¹ A similar view was expressed by a representative of a key donor organization in Dhaka: "Can you really blame us for not placing our confidence in Bangladeshi government officials when you know that they are not even trusted by their own people?"

These critical observations were common among various donor representatives interviewed in Bangladesh. Indeed, administrative bottlenecks, the absence of professionalism among a section of career civil servants, the demands for kickbacks by Bangladeshi administrators, and the political use of aid money are partly responsible for donors wanting to play a more pro-active role in the country's development.

Coherence between Canadian government and Bangladeshi NGOs

As part of CIDA's global policy to work more closely with non-state actors, particularly intermediary NGOs, CIDA currently involves Bangladesh's proliferating NGO sector⁸² in the implementation of various development activities. It provides financial assistance to those NGOs and civil society groups that undertake policy research and participatory development, either directly or through Canadian NGOs, such as CUSO, Aga Khan Foundation Canada (AKFC) and Inter Pares. Such sup-

port is intended to strengthen the institutional capabilities of a group of selected NGOs, namely BRAC, Proshika, the Centre for Policy Dialogue (CPD), the Association for Development Agencies in Bangladesh (ADAB) and UBINIG, which are widely known for their ability to effectively influence Bangladesh's development process and contexts.

Most Bangladeshi NGOs we interviewed suggested that CIDA's support gave them greater recognition as development actors and enabled them to create more space for their activities. Many are now widely acclaimed for their innovative development strategies focusing on group-based mobilization, beneficiary participation, micro-enterprises and the involvement of women in various income-generating activities. CIDA's continued assistance also increased, as they explained to us, their organizational effectiveness and thus helped to improve their development performance.

Despite such positive reviews of CIDA's operations in Bangladesh, quite a few NGO executives with whom we spoke were of the opinion that CIDA's funding collaboration was primarily limited to those larger NGOs that were well-established, better known and qualified. They said that CIDA tended to overlook small and medium-sized NGOs, despite their proven track record of helping the poor to be empowered in a sustainable manner.

When asked, however, CIDA officials denied such criticisms by claiming that CIDA supports hundreds of small and very small NGOs through the Canada Fund, the Gender Fund, and the Environment Fund.⁸³ According to another official, CIDA funds 53 small/medium NGO projects each year. However, they turn down about 650 NGO applications for assistance since they do not meet CIDA's criteria and because CIDA has a limited budget and limited human resources to manage the concerned local fund mechanisms. He also suggested that those who failed to get funds from CIDA were probably the ones that complained about CIDA's bias toward large NGOs.⁸⁴

CIDA's concentration on the activities of large indigenous NGOs was explained by one official on the grounds that:

We support large NGOs primarily because they are efficient and reliable. These NGOs know how to respond to our queries; they have the ability to manage resources properly. They are also effective in delivering services to the poor within the stipulated time.⁸⁵

Another CIDA official also offered a similar viewpoint. "When assisting NGOs," he suggested, "we want to make sure that the NGO has an established mechanism through which it plans and manages its development programs and it answers our questions".⁸⁶

In other words, CIDA's continued interest in a few large and capable NGOs stems mainly from the need to ensure an effective monitoring of its funding operations. Although such an explanation may cast doubt on CIDA's goal to "strengthen the capacity of NGOs and civil society groups in order to enable communities to take their development into their own hands",⁸⁷ CIDA officials accept this practice as a natural choice for the organization. According to one CIDA officer:

Should this come as a surprise to anyone? And does this really cast doubt on CIDA's objectives in this area? The small and medium NGOs may not like it, but CIDA may actually have got it right.⁸⁸

The extensive politicization of Bangladesh's civil society appears to have complicated CIDA's poverty reduction efforts in the country. A few large NGOs that receive funds from CIDA have become the subject of growing political controversy in recent years. Instead of maintaining their traditional non-partisan image, these NGOs have undertaken specific programs to support a particular political ideology and/or political party. The results of such partisan behaviour have not only fragmented the NGO sector, but also called into question the ability of these NGOs to protect the interests of the beneficiaries of aid.

Such a partisan political role, however, does not appear to have affected these NGOs' relationship with CIDA, as they have continued to receive CIDA funding for their programs, despite criticism by other, non-partisan, NGOs. For instance, when speaking with us, an NGO executive expressed his dissatisfaction over CIDA's relationship with some more partisan NGOs by saying that:

It is no secret that NGOs, such as Proshika, and ADAB have already become a platform of a specific political party. We are very surprised that CIDA has not done anything to review its traditional ties with these so-called NGOs.⁸⁹

Local CIDA officials, however, responded to such criticisms by arguing that, "we support these NGOs because of their ability to promote democratic development in Bangladesh. We have no proof that they are affiliated with any political party".⁹⁰

Several respondents also raised questions about CIDA's participatory development practices in Bangladesh. Referring to the recently approved CPF, they criticized CIDA officials for not seeking their views and inputs. Unlike other donors, such as the World Bank, Asian Development Bank, and the UK Department for International Development, which organize consultation meetings with different socio-political groups prior to the formulation of their country policies, CIDA's Bangladesh Programming Framework was prepared in the absence of consultation with any local partner. What surprised this research team most was that almost all NGO leaders that we interviewed, including representatives of BRAC, Proshika and ADAB, were not even aware of the adoption of the CPF for Bangladesh.⁹¹

Bangladeshi NGOs also questioned the holding of consultation meetings with Canadian NGOs in Ottawa. "It makes no sense for CIDA", according to a local NGO representative, "to organize policy dialogue with a group of people who know very little about our society, our culture, and our problems. They simply cannot speak for us".⁹²

5

Conclusions

This report finds that Canada's development cooperation policies in Bangladesh are broadly consistent with its foreign policy objective of promoting sustainable development in different parts of world, including Bangladesh. As part of its twin global objectives of reducing global poverty and ensuring prosperity and employment for Canada, various Canadian organizations, including CIDA and DFAIT, are assisting Bangladesh to meet the complex challenges of poverty reduction. They have focused their efforts on strengthening the institutional capacity of Bangladeshi government and non-governmental organizations so that these organizations can improve their development performance and their various contributions to poverty reduction. In association with other donor organizations that are also working to improve the human condition and to accelerate economic growth in Bangladesh, Canada is currently engaged in creating an enabling policy environment, which is expected to allow entrepreneurs, both foreign and indigenous, to play a key role in the country's national economic development.

Our study observes that CIDA and DFAIT maintain close links with one another to protect Canadian interests as well as to promote development in Bangladesh, while they tend to preserve their organizational distinctiveness. Both establishments appear to have attached great value to the promotion of organizational collaboration through formal and informal contacts and meetings. They often make efforts to share information, knowledge and experience in order to develop common ground on various development issues. Despite this degree of institutional collaboration and interaction between CIDA and DFAIT, key decisions are made and projects implemented in different ways, often independently, in part reflective of their distinctive organizational mandates and structures. While CIDA is primarily interested in having a greater impact on Bangladesh's development process, DFAIT seeks to widen Canada's political and economic ties with the country. Although these objectives are not necessarily incompatible, the absence of an integrated approach to sustainable development and Canadian prosperity makes it difficult for Canada to effectively influence Bangladesh's development initiatives, particularly poverty reduction efforts.

We find that the decision-making power is distributed disproportionately between CIDA headquarters and its officers in Bangladesh. The imbalance is clearly reflected in the absence of autonomy for the local officials, who can make few decisions without the approval of headquarters. Such a centralized mechanism limits the power of local officials to respond positively to Bangladeshi needs and priorities. In other words, the control of the decision-making power by CIDA headquarters creates bureaucratic barriers to CIDA's effective intervention in Bangladesh's development process.

This report calls attention to ways in which Canada promotes participatory development. Although it observes that CIDA and DFAIT attach some importance to promoting policy dialogue with various non-state actors, this is usually limited to the discussion of various development issues. The

existing consultation mechanisms in Ottawa hardly allow civil society groups, namely intermediary NGOs, to play an active role in defining Canada's position on, and vision of, sustainable human development for Bangladesh. Similarly, the Canadian approach to the management and operation of development initiatives does not give its partners, including the Government of Bangladesh, sufficient space to set out how Canada might support their own development programs.

Recommendations

For Canada to achieve greater coherence and a greater impact on Bangladesh's poverty reduction efforts, we make the following recommendations:

- If Canada desires a greater impact on Bangladesh's development initiatives, it should consider the adoption of an integrated Canadian approach to Bangladesh by combining CIDA's CPF and DFAIT's policies and programs toward Bangladesh. It would be particularly useful for DFAIT to take a special interest in complementing the goals of Canadian development cooperation in Bangladesh, which remains the critical focal point of Canada's relationship with Bangladesh. Such an approach is also likely to allow CIDA to address more effectively the changing political economy of Bangladesh, where there is an increasingly important need for shifting the focus from direct poverty reduction efforts to improvements in the policy environment. Furthermore, an integrated approach to Bangladesh's poverty and development is also likely to contribute to the further development of an institutional mechanism for enhanced collaboration between the activities of DFAIT and CIDA.
- To increase consultation and collaboration with NGOs, civil society groups, CEAs and other business companies, CIDA and DFAIT should jointly establish consultative bodies and/or advisory committees both in Ottawa and in Dhaka.⁹³ These consultative bodies may meet several times a year, as needed, to achieve the following major purposes:
 - to strengthen partnership arrangements between the state and non-state actors;
 - to share and disseminate information
 - to produce analyses of major economic, social and political trends in Bangladesh and South Asia
 - to promote coordinated action between the relevant Canadian government and non-governmental organizations
 - to identify and assess inconsistencies between their programs, policies and preferences
 - to explore further the concepts of "participatory development", "sustainable human development" and "social audit"
 - to put forward recommendations in order to achieve greater policy coherence.
- To more actively and effectively influence Bangladesh's development process, CIDA headquarters should consider allowing its field officials to enjoy certain levels of autonomy (and decision-making authority) to design and implement programs to meet Bangladesh's crucial development challenges and to respond effectively and quickly to local needs and priorities. Such flexibility

would also allow local CIDA officials to ensure the optimal use of Canadian funds. In addition, consultants, whether expatriate or local, who are working on CIDA projects, should be made accountable to the Dhaka office. Not only should the local office have a say in the process of appointing consultants, but the new method would allow field officials to monitor and supervise consultants' work, based on the guidelines set by headquarters.

- CIDA should make more specific efforts to appreciate the diversity of the NGO community, which has experienced phenomenal growth in Bangladesh in the last two decades, as this has broader significance for CIDA's development initiatives. In particular, CIDA needs to obtain a more systematic and nuanced understanding of the crucial distinction between intermediary NGOs that serve the interests of the government and/or a particular political party and those which strive to advance the genuine cause of development.
- To promote the concept of "participatory development", CIDA should make a special effort to enhance the involvement of its local partners, including the Government of Bangladesh and indigenous NGOs, in designing and implementing development programs. Such an initiative may enable its non-Canadian development partners to play a more active role in realizing the vision of sustainable human development.
- To further explore the emerging business opportunities for Canadian and Bangladeshi entrepreneurs in both Bangladesh and Canada, DFAIT may consider the adoption of a well-defined, mutually beneficial trade and investment policy for Bangladesh. Such a policy not only would enable Canadian companies to take advantage of Bangladesh's increasingly liberalized trade and investment regimes, but also it would help Bangladeshi business actors to find a more secure place in the Canadian market. The expansion of Canada's business ties with Bangladesh will require, among other things, strengthening the capacity of Canada's trade office in Dhaka, which currently deals with some C\$300 million in annual trade between Canada and Bangladesh.
- Given Canada's growing trade relationship with Bangladesh, DFAIT should consider the appointment of a trade commissioner in Bangladesh to help Canadian and Bangladeshi traders and investors to do business in both countries. For instance, this position could provide information on the prospects for exports and investments in both countries; develop and maintain a database to identify potential areas of business; and provide contacts with relevant business or government organizations in both countries. It would also be able to monitor and report on any constraints that inhibit trade and investment, whether at the policy level, or others such as weak infrastructure or inadequate information.

Endnotes

¹ Although the interviews were essentially "informal" in nature, the respondents were informed that their participation would be completely voluntary. They were under no obligation to respond to any questions or issues raised by the researchers. We also explained their right to privacy and confidentiality.

² While this study identifies some of the major factors that have affected, either positively or negatively, Canadian poverty reduction efforts in Bangladesh, given the limited scope of the study, it does not attempt to provide an assessment of Canadian policies and programs toward Bangladesh. By assessment, we mean the conduct of a comprehensive research

- project designed to offer evaluations into the “effectiveness” of the selected programs largely through the collection of primary data from the stakeholders and/or intended beneficiaries.
- ³ Debapriya Bhattachariya, “Bangladesh – EU Aid Relationship and the Recent Changes in GSP Scheme: an inquiry into policy coherence in development cooperation”, paper presented at a workshop on “Policy Coherence in Development Cooperation” organized by EADI and IUED, Geneva, April 24-26, 1997, p. 4.
 - ⁴ Liaison Committee of Development NGOs to the European Union, “Implementing Horizon 2000: poverty eradication and coherence of European policies”, Brussels, February 1996, p. 10.
 - ⁵ Oliver Morrissey, “Aid and Trade Policy (In) Coherence”, in Jacques Forster and Olav Stokke (eds), *Policy Coherence in Development Cooperation* (London: Frank Cass, 1999), pp. 373-88.
 - ⁶ UNDP, *Human Development Report 1996* (New York: Oxford University Press, 1996), p. 5.
 - ⁷ World Bank, *Governance: The World Bank's Experience* (Washington DC: World Bank, 1994), p. 12.
 - ⁸ It is commonly accepted that NGOs have a better understanding of the needs and priorities of the poor than any other intermediary organizations. For instance, a recent World Bank document admits that not only do NGOs have considerable advantages in reaching and benefiting the poor, most NGOs are committed to helping the very poor to fight poverty. See, World Bank, *The World Bank Participation Source Book* (Washington, DC: World Bank, 1996), p. 156.
 - ⁹ Andrea Koulaimah and Ad Oomen, “Improving Coherence: Challenges for European development cooperation”, *Policy Management Brief 9* (December 1997), p. 2.
 - ¹⁰ Government of Bangladesh, *The Fifth Five Year Plan: 1997-2002* (Dhaka: Ministry of Planning, 1998), p. 12.
 - ¹¹ Annual remittances grew from US\$761 million in FY1990 to US\$1094 million in FY 1995 and reached US\$1,433 million in 1997-98, when there were an estimated 218,000 workers overseas. See Ministry of Planning, *The Fifth Five Year Plan: 1997-2002*, p. 8 and ‘Bangladesh Economy’ at <http://www.epbd.com/Economy.html> consulted April 11, 2001. From 1996-98, there were 2,430 immigrants on average annually to Canada from Bangladesh. Michelle Hibler and Anne Chevalier (eds), *Canadian Development Report 2000* (Ottawa: The North South Institute, 2000), p. 78.
 - ¹² Calculated from IMF, *International Financial Statistics Yearbook* (Washington, DC: 2000).
 - ¹³ Bangladesh Bureau of Statistics and the Government of Bangladesh, *Memorandum for Bangladesh Development Forum Meeting*, Dhaka, 1999
 - ¹⁴ World Bank, *World Development Report 1999/2000*.
 - ¹⁵ Martin Ravallion, “The Challenging Arithmetic of Poverty in Bangladesh”, *The Bangladesh Journal of Development Studies*, 18(3), September 1990, pp. 35-53.
 - ¹⁶ The Mahbub ul Haq Human Development Centre, *Human Development in South Asia: 1999* (Dhaka: University Press Limited, 1999), pp. 13-14.
 - ¹⁷ World Bank, *Bangladesh: From counting the poor to making the poor count* (Washington, DC: World Bank, South Asia Region, 1998), p. 6.
 - ¹⁸ The calorie intake method is widely used by both national and international organizations for measuring poverty in different parts of the world. According to this method, the caloric threshold per person per day is 2,122, meaning that each individual is expected to intake a minimum of 2,122 calories per day from his/her food consumption.
 - ¹⁹ See, Bangladesh Bureau of Statistics, *Summary Report of the Household Expenditure Survey 1995-96* (Dhaka: Bangladesh Bureau of Statistics, 1997).
 - ²⁰ Unlike the daily calorie intake method, the CPM is designed to calculate the percentage of people lacking access to basic human needs such as food, shelter, education and health care. In other words, it measures the inability of people to maintain the minimum requirements of their lives.
 - ²¹ UNDP, *Human Development Report 1996* (New York: Oxford University Press, 1997), p. 112.
 - ²² Ministry of Planning, *The Fifth Five-Year Plan: 1997-2002*, p. 13.
 - ²³ *Bangladesh. Study of Land Issues*. SASRD, World Bank Dhaka Office, January 19, 2000, p. 16, at <http://wbln0018.worldbank.org/Networks/ESSD/icdb/nsf/D4856F112E805DF4852566C9007C27A6/4421FAE238D4C8E9852567EC005A0162#bang> As a share of the population, the landless rose from 34 per cent in 1972 to 69 per cent in 1996. *The Daily Star*, “Rate of Landless on the Rise”, August 19, 1996, p. 1 and p. 12.
 - ²⁴ Government of Bangladesh, *The Fifth Five-Year Plan (1997-2002)* (Dhaka: Planning Commission, 1997), pp. 44-45.

- ²⁵ Although critics suggest that the Government of Bangladesh has not yet developed a poverty reduction strategy, a recent government document claims the formulation of such a strategy. See, *Bangladesh Country Paper* prepared for presentation at the 24th Special Session of the United Nations General Assembly, June 26-30, 2000, Geneva, p. 29.
- ²⁶ Government of Bangladesh, *The Fifth Five-Year Plan (1997-2002)*, pp. 157-58.
- ²⁷ For a clarification, please see Footnote 22.
- ²⁸ *Ibid.*, pp. 158-60
- ²⁹ President Justice Sahabuddin Ahmed's "Millennium Speech" at the National Parliament on January 1, 2000. Also see World Bank, *Bangladesh Pursuing Common Goals – Strengthening Relations Between Government and Development NGOs* (Dhaka: University Press, 1996).
- ³⁰ As Table 6 shows, two-thirds of bilateral aid has been in food or commodities, but more recently, the emphasis has shifted and now projects account for about 60 per cent of the total.
- ³¹ According to CIDA officials, CIDA does not have a general policy framework for South Asia, although it has country-specific objectives and initiatives which are prepared largely on the basis of the needs and priorities of the particular country. Its program priorities for the region are guided by its broader policy objectives for the entire Asian continent, which focus on three major issues: human rights, democracy and governance. See www.acdi-cida.gc.ca
- ³² According to the conventional definition, governance is defined as the manner in which government institutions and officials manage the socio-economic resources of a country. The World Bank dealt formally with the notion of "good governance" in its first major revisionist analysis in 1989 entitled *Sub-Saharan Africa: From crisis to sustainable growth*. The study not only encouraged the Bank to focus on the hitherto neglected political aspects of development, but also underlined the need for major donors to assist the developing world in creating an enabling environment for the smooth operation of the market. For a detailed discussion of the World Bank's governance programs, see World Bank, *Governance: The World Bank's experience* (Washington, DC: World Bank, 1994).
- ³³ CIDA, *Bangladesh Programming Framework* (Hull: CIDA, Bangladesh Program, Asia Branch, 1999), p. 1. This can also be found at <http://www.acdi-cida.gc.ca>
- ³⁴ Economic Relations Division (ERD), Government of Bangladesh, *Brief on Canadian Assistance to Bangladesh* (Dhaka: ERD, Ministry of Finance, March 1998) and CIDA, *Projects/Program Activities in 1998/99 for Bangladesh* (Hull: CIDA, Policy Branch, 1999).
- ³⁵ ERD, *Brief on Canadian Assistance to Bangladesh*, p. 8.
- ³⁶ Total aid, including multilateral, declined from C\$152.1 million to C\$96.1 million over the same period. In 1999/2000, bilateral aid included the cancellation of Bangladesh's bilateral debts to Canada of C\$0.6 million. Finance Canada, Press Release, "Canada Forgives Bangladesh's Debt", December 9, 1999.
- ³⁷ This marks a major change from the period from 1971/72 to 1997/98 as a whole, when Canada ranked fifth among 20 major donors (including multilateral organizations like the Asian Development Bank). See Table 9.
- ³⁸ CIDA, "LMG Governance Statement" (Dhaka: Canadian High Commission, April 1999).
- ³⁹ Although CIDA has relatively well-defined policies for Bangladesh, it appears that DFAIT's activities in the country are very much *ad hoc* in nature; i.e., there is no written policy document and/or guidelines for DFAIT's activities concerning Bangladesh, even though DFAIT is responsible formally for maintaining Canada's political and economic, particularly trade, relations with Bangladesh.
- ⁴⁰ A number of officials we interviewed identified the absence of an integrated Canadian approach to both poverty and development in Bangladesh as a major impediment to foster fruitful interaction between CIDA and DFAIT. Such an absence often pushes them, as we have been told, to rely more on their organizational guidelines and objectives than on operational collaboration, particularly when designing major policies and programs.
- ⁴¹ Confidential interview, May 1999.
- ⁴² Confidential interview, May 1999.
- ⁴³ Underlying the neo-liberal analysis is the widely held assumption that developing countries are expected to gain by using aid to create a market-friendly national economic governance structure. The gain should come through aid being associated with improvements in the overall policy environment, stimulating more stable forms of private foreign capital inflows as well as encouraging market forces more generally to increase the production of goods and services, thus generating increased employment. However, empirical evidence casts doubts on such claims, suggesting that this sort of market-led agenda increases "worldwide economic concentration as well as greater inequality of incomes" (see Jayati Gosh, "Globalization, Economic Restructuring and the Democratic Implications", paper presented at a conference on

“Democracy and Civil Society in Asia: The Emerging Opportunities and Challenges”, Queen’s University at Kingston, August 19-21, 2000, p. 9). Yet neo-classical analysis dominates the contemporary aid industry.

⁴⁴ Government of Canada, *Canada in the World* (Ottawa: Canada Communication Group, 1995), p. i.

⁴⁵ According to a recent World Bank report, due to the government’s success in liberalizing the trade, investment and exchange rate regimes, inflows of foreign direct investment in Bangladesh have increased from just US\$83 million in 1994/95 to US\$400 million in 1997/98. It is expected that such outflows will rise to average about US\$780 million a year, starting from 2000. See World Bank, *Foreign Direct Investment in Bangladesh: Issues of long-run sustainability* (Washington DC: World Bank, December 1999).

⁴⁶ Confidential interview, May 1999.

⁴⁷ Confidential interview, May 1999.

⁴⁸ Confidential interview, May 1999.

⁴⁹ During our fieldwork in Dhaka, it was observed that local officials working for some other key donor agencies in Bangladesh, including the World Bank, ADB, USAID, NORAD and the British High Commission, played a more active role in formulating their country policy and/or programming documents. In most cases, they were provided with broad guidelines and were asked to prepare the draft framework by making suggestions about the policies, programs and projects they would like to see adopted and implemented in Bangladesh.

⁵⁰ Please note that we do not attempt here to discuss the arguments in favour or against either a centralized or a decentralized decision-making mechanism since this is beyond the scope of this report.

⁵¹ Confidential interview, May 1999.

⁵² Confidential interview, May 1999.

⁵³ Confidential interview, May 1999.

⁵⁴ A distinction should be made between local and Canadian/international consultants. While the local office can appoint local consultants, the hiring of expatriate/Canadian consultants is done in Ottawa.

⁵⁵ *Canada in the World*, p. ii.

⁵⁶ According to a CIDA study, Canada’s development cooperation in Bangladesh generates jobs and opportunities for Canadian companies and individuals in Bangladesh. The report claims that Canadian development assistance to Bangladesh has allowed the Canadian private sector to explore business and investment opportunities in Bangladesh. The study estimates that in 1995/96, some 78 per cent of Canadian development programs were delivered with the collaboration of Canadian business organizations, mainly suppliers of Canadian goods and services. During the same year, some 91 per cent of Canadian assistance programs to Bangladesh involved various Canadian actors—both private and public sector actors such as universities, IDRC, business organizations, consultants and the voluntary sector. See CIDA, *Canadian Development Cooperation in Bangladesh* (Hull: CIDA, Bangladesh Program Branch, July 1997), p. 7.

⁵⁷ *Ibid.*

⁵⁸ Critics argue that although CIDA’s traditional poverty-driven policies and programs have enabled Bangladesh to register modest progress in improving its dismal human development record, these programs have paid insufficient attention to a complex reality, namely that Bangladesh may not be able to sustain poverty reduction, without macroeconomic stability and improved use of public resources. Besides direct poverty reduction programs, most studies suggest that Bangladesh needs to remove the impediments to faster income and employment growth if it is to achieve both economic and social development in the 21st century.

⁵⁹ For a detailed discussion of CIDA’s governance programs, which underscores the need for shifting the focus from its traditional poverty-driven development assistance programs to the creation of an effective, transparent and, accountable governance framework in different parts of the world, see CIDA, *Government of Canada Policy for CIDA on Human Rights, Democratization and Good Governance* (Hull: Communications Branch, 1996).

⁶⁰ As part of its program in Bangladesh, CIDA is supporting collaboration between the Ottawa-based Centre for Trade Policy and Law (CTPL) and the Centre for Policy Dialogue (CPD) in Dhaka. The CPD, established in 1993, seeks to promote multisectoral dialogues about key policy issues at the local, regional and national levels. It undertakes research and publishes reports in Bangla and English to contribute to these dialogues. Finally, it carries out periodic public perception surveys on policy issues.

The CTPL collaboration involves CPD’s Trade Policy Analysis and Multilateral Trading System program, which aims to strengthen Bangladesh’s capacity in trade policy analysis, negotiations and implementation. For instance, Canadian trade specialists have participated in a series of workshops with Bangladeshi civil servants on the impact of the WTO and the

implications of the upcoming WTO negotiations, as well as public dialogues on the North American Free Trade Agreement, and international clothing trade after the Multi-fibre Arrangement. It appears that more attention has been given to issues of access to the US market than to the Canadian market, perhaps because the latter accounts for a relatively small share of Bangladesh exports (two per cent in 1998, compared to 36 per cent for the US and 46 per cent for the European Union).

⁶¹ A number of business representatives of Canadian companies that we interviewed suggested that DFAIT shift its focus from the maintenance of a “friendly” political relationship to the promotion of Canadian business and investment opportunities, if Canada were to take advantage of Bangladesh’s increasingly liberalized economic environment. They suggested that in order for Canada to expand further its business ties with Bangladesh, DFAIT should consider adopting a more defined trade and investment policy, similar to the policies of USAID and Austrade. However, when asked to comment, a DFAIT representative disagreed with such critical views, saying that DFAIT made adequate efforts to explore the relatively small Bangladeshi market for Canadian companies. He argued that the 17-member business delegation led by Raymond Chan demonstrated Canada’s continued interest in expanding further its investment and business ties with Bangladesh.

⁶² Confidential interview, April 1999.

⁶³ Confidential interview, April 1999.

⁶⁴ *The Daily Star*, “Canada Keen to Invest in Energy, Infrastructure Sectors”, May 17, 1999 and *The Daily Star*, “Canada Pledges Telecom Project Cooperation”, May 18, 1999.

⁶⁵ *The Daily Star*, “Canada Keen to Invest in Energy, Infrastructure Sectors”, May 17, 1999.

⁶⁶ Recently, Canada extended zero-duty access under the GPT for Bangladesh (as for all least-developed countries) to an additional 570 tariff lines, such as iron and non-alloy steel, certain chemicals, prepared foods such as pasta, confectionery products, beverages, cut flowers and crustaceans. According to some estimates, this means that 90 per cent of all LDC exports to Canada will now be duty-free. As most textiles, apparel and footwear continue to be excluded, however, the share of Bangladeshi exports that are duty-free will remain significantly lower, given the predominance of apparel in its exports to Canada. For GPT-covered products, more liberal rules of origin were also announced, allowing up to half of the 40 per cent minimum value-added to be imported from other developing countries.

⁶⁷ As follow-up to a national level CIDA-CEA meeting in the fall of 2000, the Bangladesh program has held regular meetings with a sub-group of CEAs to explore a range of operational issues. Although in its formative stage, the sub-group’s mandate could be extended beyond the current operational focus to include policy issues.

⁶⁸ These meetings have been complemented in the field with “CEA Days” at which representatives of Canadian Executing Agencies (both NGO and private sector) meet to discuss particular issues or themes such as gender. The Canadian High Commission in Dhaka has also begun to produce a newsletter (*Shatbi*) to share lessons learned, such as those concerning approaches to participatory development.

⁶⁹ Part of the reason why DFAIT is not so keen on holding dialogues with NGOs is the belief, as outlined by a DFAIT official, that “NGOs are not important players in decision-making”. Confidential interview, April 1999.

⁷⁰ Confidential interview, April 1999.

⁷¹ Confidential interview, April 1999.

⁷² Neither the PDB Foundation (CIDA’s largest HRD/training and micro-finance globally) nor its CEA have been involved in any discussions leading up to meetings of the LCG sub-group on micro-finance. Its deliberations are unknown to these key players, raising questions about how this process benefits the practice of micro-finance in Bangladesh.

⁷³ Confidential interview, May 1999.

⁷⁴ The North-South Institute, *Rural Poverty in Bangladesh: a Report to the Like-Minded Group* (Ottawa: The North-South Institute, 1985).

⁷⁵ Harry W. Blair, “Ideology, Foreign Aid and Rural Development in Bangladesh: Emergence of the Like-Minded Group”, *The Journal of Social Studies*, 34 (October 1986), pp. 1-27.

⁷⁶ See Table 5.

⁷⁷ For instance, officials in the Ministry of Women and Children’s Affairs (MWCA) expressed concerns with CIDA’s approach to hiring the consultants and project director for the Policy Leadership and Advocacy for Gender Equality (PLAGE) project. In particular, it was felt that there had been inadequate consultation, leading to tensions in the institutional collaboration between CIDA and the MWCA, thus potentially weakening the project.

⁷⁸ Confidential interview, May 1999.

- ⁷⁹ Confidential interview, May 1999.
- ⁸⁰ In addition to these 12 officials, we also met informally with a number of relevant Bangladeshi government representatives to discuss policy coherence.
- ⁸¹ Confidential interview, May 1999.
- ⁸² By one estimate, Bangladesh has more than 19,000 NGOs that are registered with the Department of Social Welfare. See World Bank, *Pursuing Common Goals: Strengthening relations between government and development NGOs* (Dhaka: World Bank Resident Mission, 1996), p. 3.
- ⁸³ Written comments, June 2000. Another CIDA official informed us that in some projects managed by larger NGOs, such as the non-formal education project led by BRAC, many smaller NGOs are involved in the education delivery. In this way, the skills and proven methods of a larger NGO can be used to support the development of smaller NGOs. Written comments, March 3, 2001. New delivery mechanisms of the PKSF-type could be another approach, whereby CIDA resources would be allocated to emerging, smaller NGOs via an intermediary rather than directly by CIDA officials.
- ⁸⁴ Written comments, June 2000.
- ⁸⁵ Confidential interview, May 1999.
- ⁸⁶ Confidential interview, May 1999.
- ⁸⁷ CIDA, *Bangladesh: Rights, democracy and governance – CIDA's support in Asia* (Hull: CIDA, 1998).
- ⁸⁸ Written response by a CIDA official, June 2000.
- ⁸⁹ Confidential interview, May 1999.
- ⁹⁰ Confidential interview, May 1999.
- ⁹¹ Many CEAs were also unaware and uninvolved in the preparation of the CPF despite being long-time players in Bangladesh.
- ⁹² Confidential interview, May 1999.
- ⁹³ In order to promote coordinated actions between civil society and governments and to facilitate information exchange between the various government and non-governmental organizations, consultative bodies may need to be formed at the field level as well. This would enable CIDA and DFAIT to engage in more meaningful policy dialogues with their local partners and may help them to adopt a more conciliatory approach, hence reducing policy inconsistencies.